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The National Magazine of Business Fundamentals

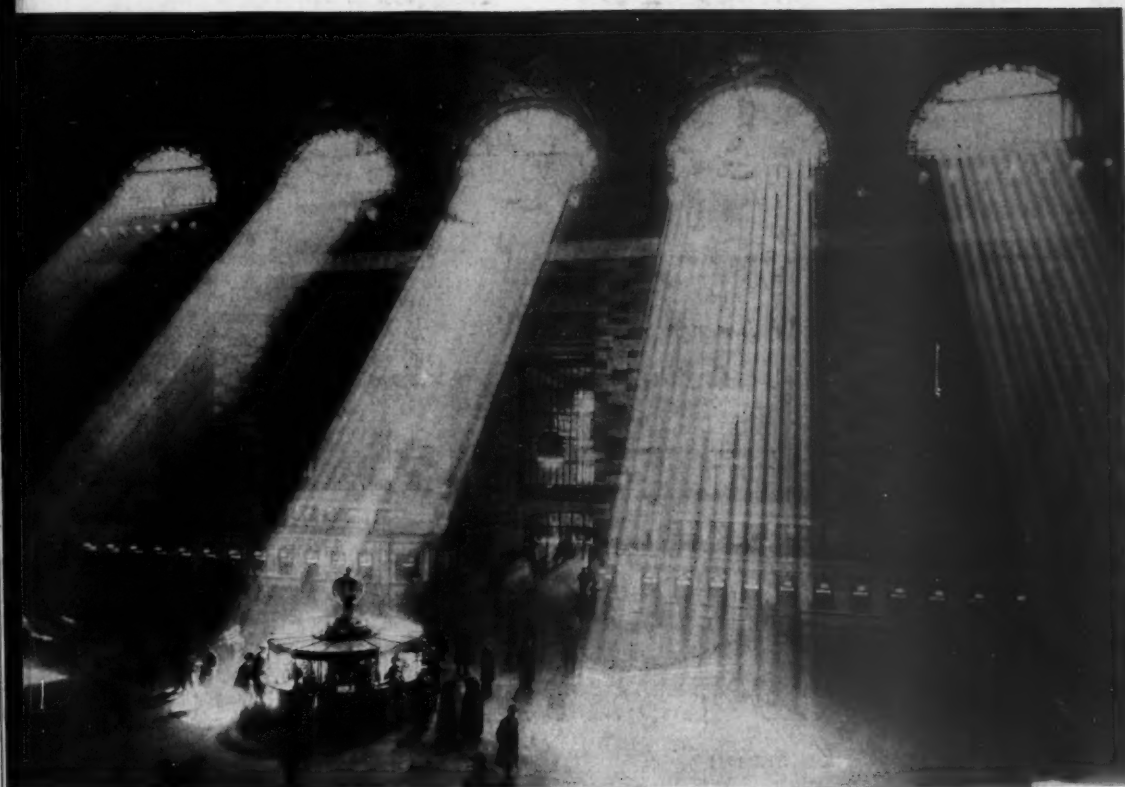
CREDIT

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JUN 20 1930

MONTHLY

Vol. 32, No. 6



■ JUNE, 1930 ■

Do Railroads Tell the Truth About Their Income, by L. V. Porter—page 7

Banking Joins in the Spirit of Progress, by Lewis E. Pierson—page 10

A New Revolution in Wholesaling, by C. M. Chester, Jr.—page 17

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*Statement of Condition at Close of Business, June 2nd, 1930**

RESOURCES

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U. S. Government Securities	228,710,596.93
Other Securities	106,580,632.51
Real Estate	34,771,643.58
Redemption Fund—U. S. Treasurer	386,825.00
Customers' Acceptance Liability	\$172,184,069.87
Less Amount in Portfolio	20,018,289.14
Other Assets	1,001,374.98
	<u>\$2,551,435,063.20</u>

LIABILITIES

Capital	\$ 148,000,000.00
Surplus	148,000,000.00
Undivided Profits	60,723,478.27
Reserved for Taxes, Interest, etc.	9,744,827.59
Dividend, Payable July 1, 1930	5,550,000.00
Deposits	1,916,236,313.91
Circulating Notes	7,736,500.00
Acceptances	\$176,775,899.86
Less Amount in Portfolio	20,018,289.14
Liability as Endorser or Maker on Acceptances and Foreign Bills	94,501,162.90
Other Liabilities	4,185,169.81
	<u>\$2,551,435,063.20</u>

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**This statement does not include the statements of any of the affiliated organizations mentioned below*

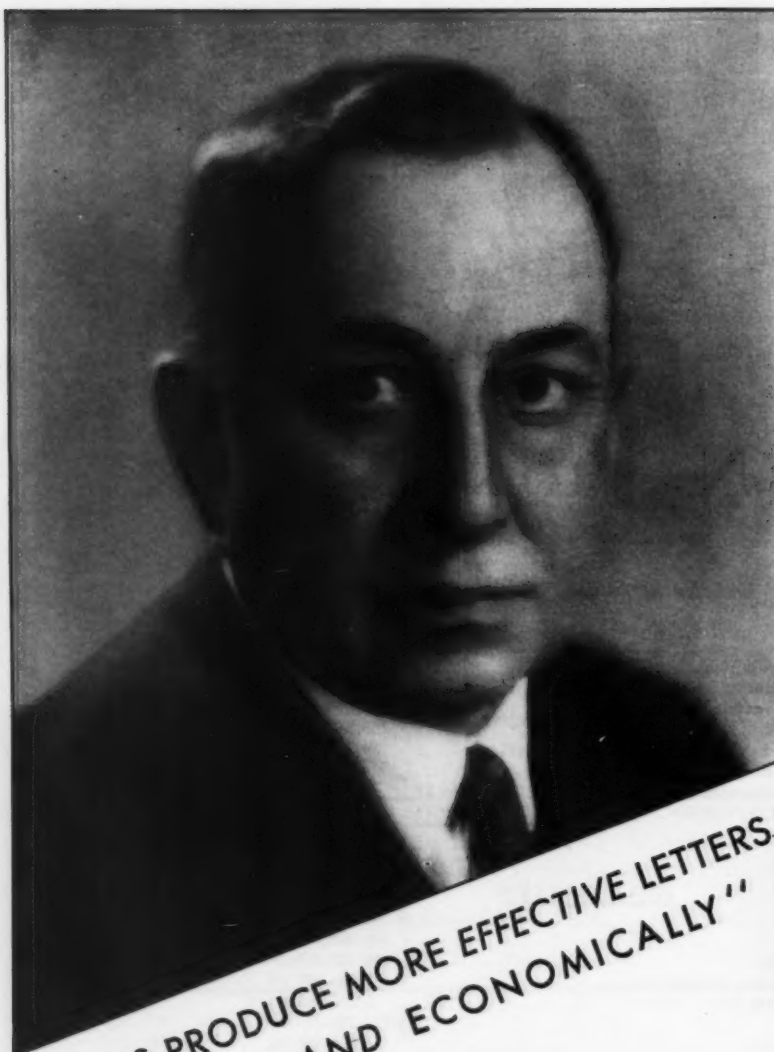
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CREDIT

MONTHLY

The National Magazine of Business Fundamentals

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Looking Ahead

In the July issue, an article on Turnover, by Fenwick Smith, entitled, "Wolf-Wolf!" initiates a series of articles on financial and audit management.

The banking section of the coming issue carries an article of particular interest. A. J. Mount, president of the Bank of Italy, San Francisco, gives his views on the subject of Branch Banking in an interview with Chester H. McCall.

The CREDIT MONTHLY Business Show, which attracted much favorable attention at the Dallas Convention will be written up next month.

Clarence T. Hubbard, author of "Where Fire Insurance Leaves Off", and contributor of many articles on insurance to the CREDIT MONTHLY, develops his idea that the credit executive and the insurance agent should link arms in an article entitled, "Constructive Insurance Management."

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CHESTER H. McCALL, Editor and Business Manager

Kendrick W. Diller
Eastern Advertising Manager

Clifford T. Rogers
Marketing Service Manager

Philip J. Gray
Western Advertising Manager

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MONTHLY
JUNE, 1930

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Vol.
XXXII
No. 6

JUNE, 1930

.....EVENT AND COMMENT.....

The Big Stick and Cash Discount

THE BIG STICK may be wielded in politics, but applying the big stick to the cash discount is another matter. If enough psychology is applied in handling the big stick human nature will advance or retreat before it. But economic laws cannot be battered into submission. Their resiliency is such that they immediately spring back into position—and generally the rebound catches someone with a stiff blow.

Many large and financially strong organizations brandish the big stick in a dictatorial manner. A prominent credit executive in Connecticut discusses this matter in a letter to CREDIT MONTHLY, which follows:

"Knowing that the CREDIT MONTHLY has for a long time been pounding away on the matter of cash discount, I wish to report the condition that I have found lately and which is becoming more prevalent all the time. Large organizations financially strong and able to pay are demanding terms contrary to those you care to give or can give under your Company rule. Investigation will prove that you are unable to concede and as usual the club will be swung notifying you that they will take it into consideration when placing future business. That condition can only be met by acknowledging and telling them that you are sorry the condition exists, but, nevertheless, you are bound to stand by your terms. That is our practice at any rate. We do not hesitate to return checks when discounts are taken out of order regardless of the size of the check or the amount of the discount.

"The new condition that prompts me to write is coming forward more prominently all the time and it is the practice to hold onto money, where discount has been refused under the desired conditions, until that same amount of money deposited in the bank earns interest enough to equal the amount of the cash discount originally requested. We have been openly told that this is being practiced by two organizations and we know that it is being practiced by others without being told. We think it is a condition that should be mentioned in some edition of the MONTHLY to the end that we take a united stand against the practice and if necessary endeavor to

charge interest for the period over your regular terms. "I will be glad to have comments on this for possibly you have heard the same complaint from other territories."

What do you think of the facts brought out in this letter? Have you had similar experiences? What are the possible remedies for this condition? Is it possible to crystallize these remedies into a nationwide-movement? Write to CREDIT MONTHLY giving your opinions and suggestions on this important question.



"That Marvelous Kangaroo"

A PROMINENT BUSINESS man of the United States was on a hunting trip in Australia. The hunting party frightened a kangaroo from its quiet grazing, and the animal bounded across a clearing away from them in great leaps of from fifteen to twenty feet, its body in almost a horizontal position, its long tail extended to balance it. "That marvelous kangaroo", the man said. "Such magnificent balance I have never witnessed before."

Everywhere around us we see the kangaroo type of man and the kangaroo type of business—and how often it is that neither has the tail to maintain its balance.

The highly promotional individual—the super salesman—is the kangaroo type. He makes leaping strides of from fifteen to twenty feet while the average individual is taking steps of three and four feet. He has a quick get away—and he travels fast and far if he can maintain his balance. A kangaroo, with its large and thick hind legs and small fore limbs, would turn a series of leaping somersaults without the long, thick tail to balance it. The highly promotional individual must keep himself balanced with planfulness. He must make his deductions

from facts and accurate observations—not the hopeful and hypothetical.

We also find kangaroo business organizations—without tails to balance them. Their major emphasis is on sales and expansion—fifteen and twenty foot leaps. Generally their expansion programs are not balanced by a sound credit and financial policy. Many organizations feel that the tail is in the way—which explains why the credit executive is often unpopular. But as more kangaroo businesses catapult forward on their noses they learn the inherent truth that the kangaroo is marvelous because he has a tail.



The World In Hand

EVERYONE IS FAMILIAR with the saying "He has the world in the palm of his hand". Figuratively, it takes a vast, broad grasp to hold the world in the palm of one's hand. Actually the same statement is true because a man must have a broad grasp of

basic principles and fundamentals if he is to hold the world in the palm of his hand.

Probably one of the most important principles to master is that of getting the right kind of men to help one to put the world in the palm of his hand. A quarter of a century or so ago may have been the day for "self-made men" but to-day is the time of "men-made men", for the man who can pick other men to help him is the man who gets there.

The other day I talked to one of this country's most successful business men. He attributed his success to three men he had selected in a very unusual way.

While he was the vice president of his company, he gave an address before an audience of business men. Carefully he painted the picture of the kind of an assistant he needed and then went on to say that he didn't believe there was any one in the audience who could fulfill the qualifications he had described. He had purposely made these qualifications very difficult. He added that if there were an individual in the audience who felt that he measured up to this standard, the job was his. And directly after the meeting a young man applied for the job and got it.

The two other assistants were secured, strange as it may seem, through want ads. He wrote two want ads, one which he felt described his own personal qualifications, and the other so impossible in its requirements that he knew no man could possibly qualify. He wanted to get a man who felt that he could, in time, approach the high standard of these qualifications. Just two men answered the two ads and both got their jobs.

Several thousand words could be written on the psychology this business leader used in selecting his adjutants. The principles are evident from the bare facts related here. Whether or not you are holding the world in the palm of your hand, depends a great deal upon your use of the basic principles inherent in this case.



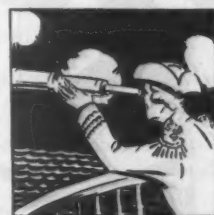
Blind Eye to the Telescope

LORD NELSON was second in command of the English Fleet under Admiral Parker in the attack against the harbor of Copenhagen in 1801. Nelson's squadron received the fire of a thousand guns. Some of his ships were disabled. Admiral

Parker at a distance believed the fire too severe for Nelson and hoisted a signal flag for retreat. When informed that the Admiral's signal flag was masted for retreat, *Nelson put his glass to his blind eye*, saying, "I really do not see the signal! Hold my flag ready for closer battle flying. Nail mine to the mast! That's the way I answer such signals."

Retreat is a mental attitude. Most retreats take place in the mind of a man before they are actually carried through. A noted authority on military strategy, after studying virtually every retreat in military history, said: "Eighty-five per cent. of the retreats in military history cannot be justified by actual conditions. They were ordered through no other cause than a psychological retreat in the mind of a man."

The psychological basis of retreat is generally misunderstood. Most people attribute it to lack of courage when it is basically a lack of imagination. A group of young men were given a few pills which, they were told, contained strychnine, a drug that would stimulate their hearts to more rapid action. After a reasonable lapse of time the heartbeats were counted and were found to have increased under the stimulation. Yet the pills were only milk sugar capsules. That imagination is a powerful force to which the body and mental processes will react is proved by this and many other cases. It was not so much unusual courage as unusual imagination that made Nelson turn his blind eye to the glass. When the situation arises do you have enough imagination to turn a blind eye to the telescope? And what, some may ask, is my blind eye? It may seem paradoxical to say that imagination is a blind eye — yet it is the blind eye that refuses to see retreat—and defeat.



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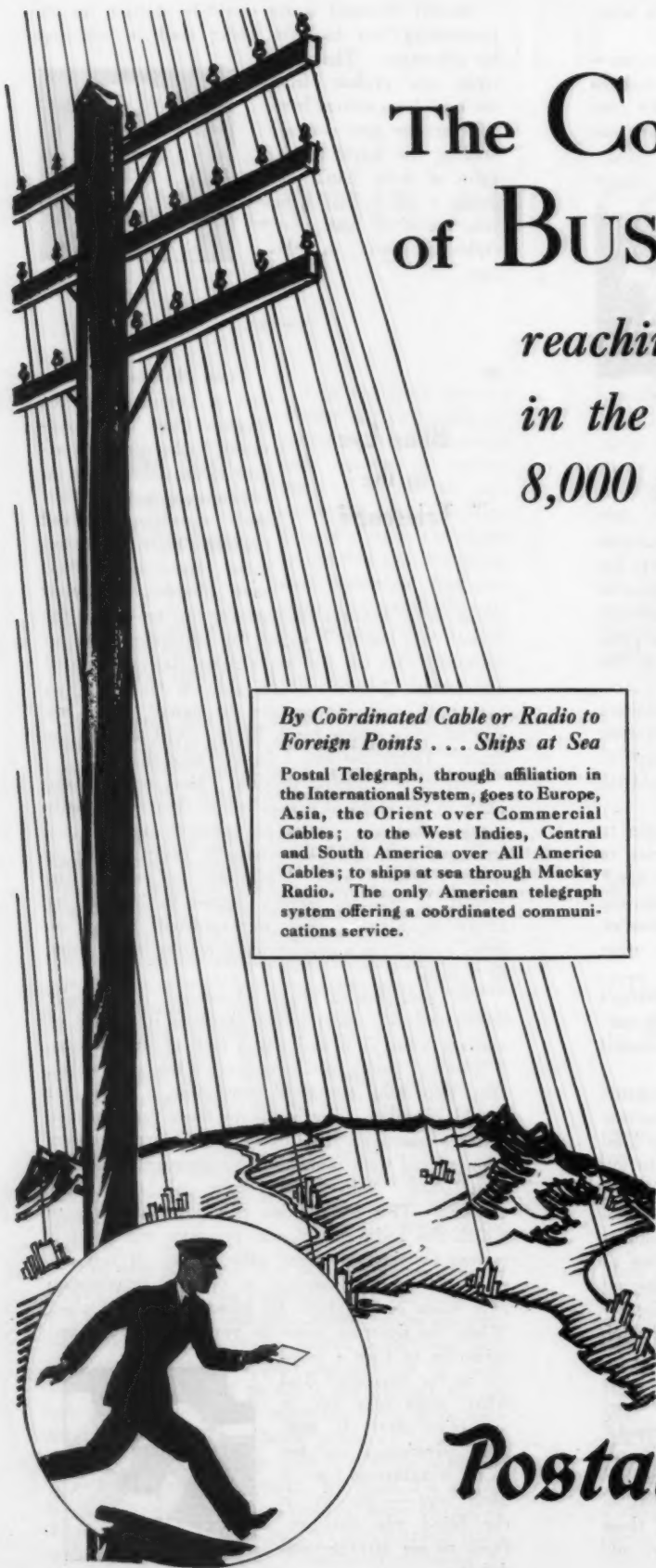
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Do Railroads Tell the Truth About Their Income?



© Ewing Galloway

DO railroads tell the truth about their net income?

This is a question which no doubt occurs to many who are not versed in railroad statistics and accounting terminology, and it is not surprising when we read in the papers that the railroads' rate of return on property investment in 1928 was only 4.72 per cent instead of the 5.75 per cent permitted by law, and when official statistics show in one place that the net railway operating income was 19 per cent and in another place net operating revenue was 27.55 per cent.

One not familiar with railroad accounting might conclude that the railroads earn a net income of anything he may choose to assume, and be able to prove it to his own satisfaction by official statistics. In fact, sundry editorial writers and other near-economists have intimated with considerable asperity that in telling about their incomes the railroads have done what George Washington said he couldn't do when his Pa asked him about that

cherry tree. A prominent daily in the Middle West, said editorially: "Forty-four cents of every dollar received by American railroads last year were paid out for labor — wages and salaries of employees, from the humblest section hand to the operating officials. Twenty-eight cents of every dollar were expended for equipment, materials, supplies and fuel for locomotives—the latter requiring 8 cents. Insurance, loss and damage, including injuries to persons, took 2 cents, and depreciation and retirement of equipment 3 cents of every dollar. Taxes required over 5 cents of every dollar and 2 cents went for rental of equipment and joint facilities. These sums total 84 cents, leaving the railroads 16 cents of every dollar received in the form of net operating revenue. Yet the railroads report that they received only 4.33 per cent return on their property investment last year. It is obvious that the 'property investment' of railroads is not in harmony with the actual value of their property. There evidently is too much water in the railroads. If some of it

■ **Mr. L. V. PORTER**, Comptroller, New York Central Lines, answers this question in the following article and brings out as well many significant facts about the financial management of railroads.

were squeezed out, 16 cents of net income would not shrink to four cents return on actual investment."

The 4.33 per cent and the 16 cents in the editorial are equivalent to the 4.72 per cent and 19 per cent stated in the opening paragraph, and since the foregoing is a representative statement of views held by a good many, it may be worth while to find out for one's self how to interpret the forbidding array of statistics submitted under oath by railroad executives to the Interstate Commerce Commission and duly published by that body.

The man who wrote the editorial might have made out a stronger case which would have been as near the truth if he had assumed that the difference between the operating ratio, which in 1928 was 72.45 per cent, and 100 per cent of operating revenues, represented net income. The operating ratio is the percentage of total operating revenues required to pay the expenses of operation, which by no means constitute the total expenditures necessary by a railroad.

No Mystery in Statistics

There is nothing mysterious nor necessarily confusing about railroad statistics. Let us begin by recognizing that figures are not so terrifying as many people make them. Digits are as easy

to read as the letters of the alphabet, while numbers tell more in less space than words.

The fundamental error in the editorial quoted is the assumption that a given percentage of receipts—that is, of operating revenues—represents an equal percentage of return on investment. If you bought a push cart for \$10 and invested another dollar in peanuts, then sold the peanuts for \$1.19, you would find, if you figured correctly, that 16 per cent of your revenues was profit; but that profit would not be 16 per cent on your investment, not if my arithmetic is in working order. As nearly as I can ascertain, you would have to sell your peanuts for \$2.76 in order to get back the dollar expended for peanuts and thus keep your investment intact, and have 16 per cent return on your total investment. Apply this identical method of calculation to railroad affairs and you will see how far wrong an amateur economist with perfectly good intentions can go.

Beginning with this fundamental er-

The Twentieth Century Limited speeding eastward along the Hudson



ror, it is easy enough to continue with the further assumption that net operating revenue represents the sum which stockholders have to divide among themselves. Statistics recently issued by the Interstate Commerce Commission from reports of Class I railroads show net railway operating income of \$1,172,864,100 for 1928. This is not total income, but only income from what is known as transportation service.

Here let me explain that in arriving at the rate of return which the Interstate Commerce Commission is directed by law to establish in order to yield $5\frac{3}{4}$ per cent "as nearly as may be," which rate is used in ascertaining whether or not the earnings of a given carrier in any year in excess of 6 per cent are subject to recapture, the value of the property devoted to transportation is used as one factor and net railway operating income as the other. Net railway operating income means merely the revenues from transportation plus incidental receipts in connection therewith, such as from excess baggage charges, dining cars, station privileges and so forth, less expenses of services and materials, known as "operating expenses," and taxes, hire of equipment and operating rents. Miscellaneous investments and the income therefrom are excluded from the computation.

"Other Income"

Fortunately, many railroads have investments of various kinds which bring in money. Without these investments they would not be able to pay to their stockholders the dividends that they are paying today. Receipts from these investments are listed in railroad statistics as "other income."

This "other income" in 1928 amounted to \$319,963,220, bringing total income to \$1,492,827,320. Railroads are not all owned in fee by the companies which operate them. Some lines are leased by the operating com-

panies, thus requiring the payment of rents, which totaled \$170,841,490 in 1928. Neither is the entire capitalization made

up of stock issues. The railroads are owned by the stockholders, but instead of putting up the entire capital stock out of their own pockets, they have borrowed a great deal. In fact, only 44.1 per cent of railroad capitalization in 1928 was represented by shares of stock. The other 55.9 per cent of capital was borrowed on mortgages against which the familiar railroad bonds were issued. For the use of this immense sum of money interest to the amount of \$508,170,016 was paid or accrued in 1928.

"Other Deductions"

When these two items are deducted from what was left after paying operating expenses and taxes, and when an additional sum of \$27,040,325 in miscellaneous items which the Interstate Commerce Commission lumps together as "other deductions" is subtracted, what formerly looked like a very modest return is found to have shrunk about one-half to \$786,823,584 of actual net income.

The stockholders, instead of receiving the 16 per cent which the editor thinks they received, did not even get the real income I have just named. What they actually received from the year's income and from surplus as shown by the Interstate Commerce Commission, was \$430,677,138. That is a long way from $5\frac{3}{4}$ per cent on the investment, and a still longer way from the 16 per cent of the editorial dream. And remember that more than a fourth of railroad capital stock has received no dividends for a quarter century.

This is a good place to point out that railroad capitalization, as a whole, is not "watered." That ancient delusion led to enactment of the valuation law twenty years ago. So far that law has cost the people more than a hundred million dollars without accomplishing any practical purpose, except that as to railroads which have been finally valued by the Commission, and there have been many so valued, it has produced conclusive evidence that instead of the railroads being over-capitalized, or "watered," to speak the language of demagoguery, they are actually worth many millions more than the figures carried on their books, and much more than the value assumed by the Interstate Commerce Commission for rate-making purposes.

To return to net income, even if it had all been distributed among the stockholders, they would not have received 16 per cent nor yet $5\frac{3}{4}$ per cent on their investment. Keep in mind, now, that a dollar borrowed and

invested in railroads is just as much a part of the capital as a dollar earned in digging potatoes, and equally entitled to "a fair return." But income cannot be so distributed, if the business is to survive. Ordinary prudence forbids distribution of all profits in any business. A certain well-known railroad owned by British stockholders distributed its income as fast as earned for years, growing poorer and poorer until it could no longer meet its obligations, and so had to be taken over by a government less than a thousand miles from New York. If the New York Central had distributed all profits as fast as earned, there would be no New York Central today. But it didn't. Millions upon millions of dollars were "plowed back" into the property. Earnings so invested plus new capital to the combined aggregate of \$855,000,000 have been invested in the New York Central Lines during the past fifteen years. It is this which has enabled the system to render satisfactory public service and pay its stockholders a modest return every year.

Paying Eight Per Cent.

To give point to what I have been saying, let me call attention to the fact that the New York Central Railroad, the parent stem of the system, is paying 8 per cent dividends instead of the $5\frac{3}{4}$ per cent designated as a "fair return" on investment in property devoted to transportation. One reason it can do this is that the road has a surplus in excess of \$258,000,000 at work earning income without charge. Another reason is that the New York Central Railroad has very large investments in other property purchased with earnings set aside in former years. Still another reason is that the road has more than \$198,000,000 borrowed on long term bonds issued years ago when money could be obtained on sound security at as little as $3\frac{1}{2}$ per cent. In fact, the whole bonded indebtedness of the road bears an annual average interest rate of a fraction more than 4 per cent.

The point of the whole matter is that not even the best managed railroads in the heaviest traffic territory earn anything like the 16 per cent of the editorial dream.

The nation cannot exist without railroads. Nothing can take their place. Notwithstanding the extraordinary development in interurban trolley lines, motor trucks, and motor buses, the railroads are rendering a steadily increasing public service. In

JUNE, 1930



Mr. L. V. Porter, Comptroller, New York Central Lines

the generation from 1890 to 1920 population increased 68 per cent, while ton-miles of freight traffic increased 438 per cent. In 1890 the railroad freight movement was 1,211 ton-miles per capita; in 1920 it was 3,881 ton-miles per capita.

Increase in Freight Movement

While in 1928 the freight movement was 5.5 per cent more than in 1920, the census now being taken will undoubtedly show a somewhat larger increase in population. Nevertheless, the railroads have not stood still since 1920, but on the other hand have made great progress in the economical operation of their properties. The increased freight movement in 1928 over 1920 was accomplished by less freight train and locomotive miles by increasing the number of cars per freight train 31

per cent and at the same time increasing the speed of the trains, thereby giving greater despatch and quicker deliveries.

This enormous increase in public service has been made possible only because the railroads have greatly increased their investment. The increase in railroad investment in the last five years has been \$3,503,000,000. It is this which is enabling the railroads to give such efficient service.

Now a railroad is a business enterprise governed by the same inexorable laws that control all other business. If they are to exist at all they must be allowed to earn enough above operating expenses and all other charges to expand in keeping with the ever-increasing demands upon them, and to pay a return upon the investment which will attract the new capital they must have.

Banking Joins in the

THE entire texture of banking is changing with the times, and judging from current indications we may consistently look for even greater change in the future. If this process of transformation goes on long enough, we probably in time shall reach the point where the true logic of the position of the bank in the community will have asserted itself. And then life will be much easier all around for both banker and bank customer.

Probably in no other department of economic activity has the departure from the time honored custom been so marked. True, there are certain banking essentials which have not changed and will not change. The basic things in credit, in investment, in safety of deposits, in human relations remain as they were, but the facilities through which banking activities in these departments are carried on show vast change. There has been no miracle of accomplishment whereby the essential nature of good and bad, of right and wrong, of safe and unsafe has been made other than it was. But into almost every one of the major processes which thirty or forty years ago guided the determination of banking values and banking responsibilities, there have come changes so marked as to make the old methods almost unrecognizable.

Banks Must Serve Business

Several elements have entered into the production of this change. Some of these have come from within banking itself, some have come from the outside. The banker has had something to say about it and the business served by banking has had a great deal to say about it. More and more the banker has come to realize that his logical function is to serve business, to facilitate business transactions, to do for business the things which can be done more economically, or more efficiently, or in some way more satisfactorily by an institution operating as a bank than by business itself. More and more the banker is learning that in

Progress is like the hidden power in a magnet. Progress draws to it every kind of business for which it has attraction. Businesses that fail to adhere to sound principles of development and management are negative and are not drawn by the magnetism of progress. One of this country's great bankers discusses in this article the bank's place in this new era of progress and competition. Every banker and business man in the country should read his discerning analysis.

the final judgment which will be expressed upon the success of his banking administration business will have the last word.

In other words, the bank of today is getting closer to the essentials of business than was the bank of even a few years ago. And this contrary to the somewhat common theory that banks have become cold and indifferent, that they have wandered away by themselves, have enshrouded themselves in professional exclusiveness, have developed a banking atmosphere which is chilling to the spirit of business.

A Different Job

Actually nothing could be farther from the fact. The banker of today is much the same type of individual as the banker of twenty or even fifty years ago, no better, no worse, essentially no different. But he happens to be working on a very different job. He probably is no more interested personally in the affairs of his clients than was the banker of earlier years, but still he gets much closer to these affairs than did his predecessor. This is not a matter of altruism or brotherly love, or devotion to a cause, but rather of plain business necessity.

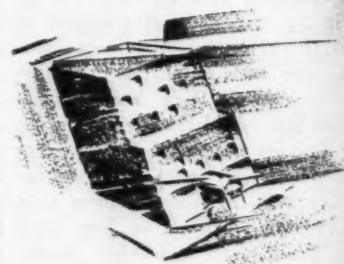
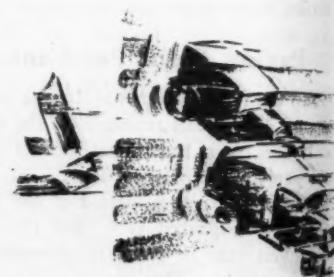
The banker now realizes more fully than before the logic of his relationship with the business he serves. He gets close to this business because he must. The requirements of the times demand it. The requirements of banking competition demand it. Personally he might prefer to isolate himself from the problems of business, retire within his banking establishment, take a pro-

fessional attitude and wait until called to treat some business need.

But he realizes that any such attitude would be fatal to his success. Whatever his personal inclination, this banker, and in all this I am referring particularly to commercial banking, realizes that no merely professional judgment unsupported by the intimate knowledge of

business which only close contact can give, will serve his own best purpose or the purposes of his business client.

Stated otherwise, the banker of today in common with men responsible for activities in various other depart-



ments of the economic situation, is coming to view his function in a more scientific manner than formerly. He takes less for granted. He studies his problem more carefully and more broadly. He realizes the importance of tracing and cultivating relations with business which formerly were not recognized as of any importance to banking. He knows that the threads of his banking interest run through the entire fabric of business and he realizes

BY LEWIS E. PIERSON, CHAIRMAN OF THE

CREDIT MONTHLY

in the Spirit of Progress

the importance of following these threads wherever they lead. He is constantly looking for a "better way" of doing things. He has come to have little respect for the theory that the "hard and fast" must be his only control.

And all this means that the banker of today, if he is to keep up with the procession and hold his own in the constantly sharpening competition of the times, must take full advantage of every facility which may serve to inform him more fully concerning the true meaning of the things going on about him. He must be banker, business man, student and economist, and in each of these must maintain a point of view which in a practical way at least is scientific.

Business research no longer is con-

change in the banking point of view. The banker has learned that if his institution is to grow and thrive upon general business, then it must also make contribution to the growth and development and prosperity of that business.

Research pervades every department of the well organized modern bank. It serves as a magnifying glass which distinguishes and expresses in terms of new importance elements in the banking-business situation which formerly were largely or even totally disregarded.

In former years the bank dealt directly with its client. It still follows this direct method of dealing, but in addition approaches the business situa-

banking, although of course business derives substantial benefit from it. And it is not in the nature of a gift to business, but rather serves as a means whereby the bank can equip itself to meet the business client upon a basis of knowledge and understanding and sympathy.

Of course within the bank itself and in connection with its own facilities far-reaching improvements are being affected. No longer is the individual tied to a particular function and expected to draw all the information and inspiration he needs from that function. Elaborate courses of instruction are provided. In certain banks of New York City, these instruction courses are car-

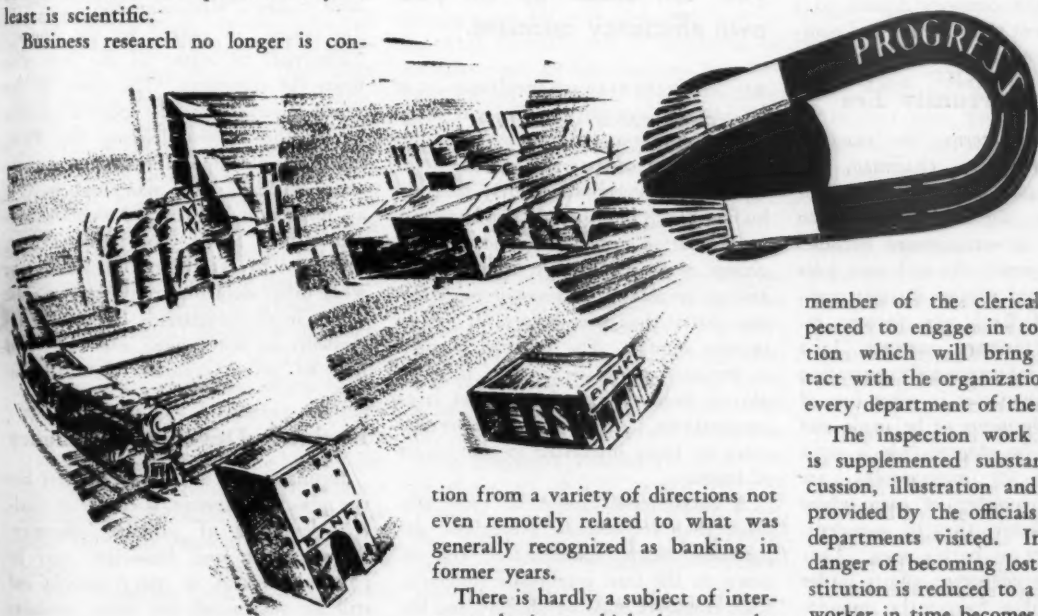
ried to an extreme. In one large bank every member of the bank's staff from the highest official to the most modestly placed

member of the clerical force is expected to engage in tours of inspection which will bring him in contact with the organization and work of every department of the bank.

The inspection work of these tours is supplemented substantially by discussion, illustration and demonstration provided by the officials of the various departments visited. In this way the danger of becoming lost within the institution is reduced to a minimum. The worker in time becomes thoroughly familiar with the institution and recognizes the relation of his activities to the activities which surround him.

In earlier years banking study was confined largely to the field of operations. In more recent times attention is given to the larger and more fundamental features of the banking structure itself, the current banking trend, banking laws, the Federal Reserve situation, foreign banking methods, the gold problem, the problem of investment versus speculation, the distribution of banking service, that is, branch, chain and group banking, consolidations and a va-

(Continued on page 38)



tion from a variety of directions not even remotely related to what was generally recognized as banking in former years.

There is hardly a subject of interest to business which does not also possess possibilities of interest to banking. The current condition of business, domestic and foreign, the business trend of the times, the condition of industry and commerce, the balance between production and consumption, business credit, the problems of investment, these subjects and a number of others not less remote from the old time banking function, form the basis of the every day task of the banker of modern times.

And all this banking effort expended in the business field is in the interest of

financed to the laboratories of a few of the great business concerns, nor is it confined to business alone. It has become common property.

Few of the great banks are without their well organized department of economics and research, and few of them fail to broadcast their findings freely and generously, principally through periodical trade and economic views. It is in this department of current banking activity that we find the most pronounced expression of the

THE BOARD, IRVING TRUST CO., NEW YORK

JUNE, 1930

THE MONTHLY

How High is Your Personal Efficiency?

TODAY more people are interested in corporation investments—bonds, stocks, rights, notes—than ever before in the history of this country. To those thousands and perhaps millions of investors, the desirability of available securities is measured by several standards of comparison. One important standard of comparison is, "the management." The prospective investors ask: "Is the management progressive or behind the times; aggressive or conservative; a leader or a follower in the industry;" etc., etc. The percentage of net profits on the net worth of a corporation may be favorable for one or two or even three years, but the continued favorable earnings depend to a very large extent upon the kind of management the corporation will receive.

The Opportunity Era

Ordinarily the term "the management" connotes the chairman, the board of directors, and the president of a corporation. But as a corporation grows larger, its management becomes more widely spread. As each new sales territory is added another district manager is needed. Each new factory requires another factory manager. In a nationally or internationally operating corporation, no matter in what line of business, the decisions to be made and the policies to be adopted, which are a vital part of its management, are handled by a number of men whose rank is well below that of president. Such men have to be big men. That portion of the corporate affairs under their responsibility frequently amounts to millions of dollars in sales or costs yearly. One of the benefits conferred upon business men by the corporate form of organization is the creation of jobs of almost unlimited size, to which men can climb by making themselves big enough to fit the jobs. Individual or partnership ownerships in business would never permit of such individual growth among the owners or employees as the corporation affords. The corporation era is indeed the opportunity era.

The management of a cor-

EDWARD KIRK COCHRAN, Accountant, Otis Elevator Company, Omaha, develops the idea that the efficiency of business units depends upon the personal executive efficiency of each member from the president down the line to the lowest ranked employee. He has worked out the chart illustrated on the next page by means of which you can check up on your own efficiency quotient.

poration is the outward manifestation of its inward humanity. The old adage that corporations are heartless and inhuman is as out of date as acetylene headlights. Some corporations may lack the human touch but they do not last long. A corporation's success depends on two groups of human beings; its customers and its employees. Business is more human today than ever before. It had to become human. The personal element in business, especially among the employees, executives, and officers of large corporations, is being studied more and more by those interested in the future of business.

A corporation cannot be more efficient than its officers, executives, department heads, subordinates, and on down to the least important employee. Each employee must be efficient, and the executives must be very efficient personally. In the end the class of management of a corporation depends on

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Business, one of the oldest arts, but the newest profession, is the great modern developer of personal efficiency. A business man must be efficient emotionally, physically and mentally, because modern business requires human kindness, action and real thinking.

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the personal efficiency of its executives and employees.

What is personal efficiency? It might be defined as: The proper usage of certain human elements. No two individuals are exactly alike in all characteristics, but there are a certain number of human elements possessed by all, at least in some degree, which need to be used properly so as to bring out a favorable response or so as to create the desired impression upon all other individuals contacted, whether the contact be in business or otherwise. A particular element in one individual is judged by the personal reaction of the same element in another individual. A man who makes a statement not quite true (or honest) is judged by the honesty (adherence to truth) of the man who hears the statement. The speed of one typist is judged by the speed attainable by another typist looking on. Thus, honesty is an important element of personal efficiency to a man; and speed is an important element of personal efficiency to a typist. Some elements are necessary to certain occupations only, while other elements are present to some degree in all occupations. The universal elements are much more important, and will be given exclusive consideration here.

Business Develops Efficiency

Business, one of the oldest arts but the newest profession, is the great modern developer of personal efficiency. Poets, artists, and musicians may be physical, mental, or moral wrecks and still be successful, for their products are largely the result of emotions. Manual occupations require physical but not mental efficiency. Purely mental occupations can be moderately successful without physical efficiency. But a business man must be efficient emotionally, physically, and mentally, because modern business requires human kindness, action, and real thinking. Most people tend towards an even balance of personal elements, and they are attracted by occupations requiring the evenly balanced outlook on life that they possess. Business has a universal

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appeal because it requires some of all the common personal elements, rather than a preponderance of one or more. That reason may account in part for the tremendous developments of modern business.

A man who really knows himself cannot fail. The first and most important consideration that a man meets in life is the selection of his vocation.

He should use all the means available to make sure that he is occupying about three-fourths of his waking hours with thoughts and actions that interest him beyond all other subjects. Any man who has to force himself to keep his mind on his work should analyze his personal inclinations, with the aid of a professional vocational guide if possible, and then seek employment in the occupation of his unqualified choice. He can never attain his highest possible personal efficiency otherwise. The day is not far distant when boys and girls will be observed all through their high school and college years so that when their degrees are conferred upon them, the kind of work best suited to each one's complicated human elements will be discernible beyond any doubt.

Having once selected his line of work, a man's business life will operate in large cycles. The number of cycles that he can attain in a life time will depend upon the degree to which he develops his personal executive efficiency. Each cycle is composed of three steps: (1) Securing a position equal to his qualifications; (2) Mastering the position and learning from it all that there is to learn; and (3) Fitting himself for the position next higher up by increasing his qualifications and developing more fully his personal executive efficiency.

You seldom see a man holding a posi-

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The management of a corporation is the outward manifestation of its inward humanity. The old adage that corporations are heartless and inhuman is as out of date as acetylene headlights.

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tion which is too small for him. If he feels that way there is something wrong with him rather than with the position. When he outgrows one position, another bigger one will be waiting for him, provided the man has used foresight enough to let his superiors know of his broadened abilities, and provided he has shown it to them by the proper methods. The fact is, if he makes himself, not one or two, but five or ten times more valuable than *he thinks* his position calls for, he is bound to receive recognition. He will find that there is no other feeling quite so satisfying as to *know* that he has mastered his position and fitted himself for some place higher up, and that he has demonstrated those facts diplomatically to his superiors.

Study the Chart

It is not possible to elaborate here on the several items that are essential to personal executive efficiency. The chart shown on this page gives a comprehensive outline of them. The formula to remember is: Character plus Knowledge plus Positive Personal Traits equals Personal Executive Efficiency. Each item in the chart should receive hours of study by every man in business (or out, for that matter). A few scattered comments might indicate the extent of study possible.

A hobby is something, (1) that you would rather do than eat, (2) that you never use to make money, and (3) that is entirely foreign to your vocation. Do you have one? If not, get one, as there is nothing else as useful to clear your mind of business thinking at the day's end.

Do you get to your desk about an hour before the office opens in the morning? An executive is employed to think, and you can do several times more constructive thinking in the early morning while your mind is fresh than you can do during the last hour in the afternoon, which should be spent in the open air.

Do you take regular physical exercise? If not, join a gymnasium class tomorrow and attend it faithfully summer and winter. Without health—unbounded physical exhilaration—at all hours, you are robbing your salary envelope.

Do You "Know Yourself"?

Is your desk, your office, your subordinates' work, upon which the results of your position depend, so systematically arranged that you hardly know that they are in operation? Do you save money regularly or are you living beyond your income? Do you really practice the belief that education is a life long process, and that more can be learned from good books in an hour per day than from years of personal experience? Are you conscious of the clothes you wear? Is the food served at your home the best that can be bought? Do you ever worry? What do you want to be doing ten years hence? Do you consider yourself to be a personally efficient executive? Do you really and truly "know thyself"?

CHARACTER	KNOWLEDGE	POSITIVE PERSONAL TRAITS	PERSONAL EXECUTIVE EFFICIENCY
Environment	Reasoning	Ability to Express Yourself	
Habits	General Knowledge	Ambition	
Health	Business Knowledge	Appearance	
Heredity	Knowledge of Your Job	Cheerfulness	
Will Power	Knowledge of the Job Higher Up	Concentration	
	Knowledge of Human Nature	Confidence	
	Knowledge of Your Hobby	Enthusiasm	
		Imagination	
		Initiative	
		Love of Study	
		Loyalty	
		Memory	
		Persistence	
		Reliability	

What are the Economic Consequences of Instalment Selling?

BY DR. CLYDE WILLIAM PHELPS

Head of the Department of Economics, University of Chattanooga



A man cannot carry a heavier instalment burden than his financial legs will stand.

THE rapid expansion of instalment selling during the past ten years has provoked much uninformed discussion as to the economic consequences of this method of extending credit. The most interesting economic effects of instalment selling are the following: First, its effect on the consumer; Second, its effect on business, and Third, its effect on the credit structure and the business cycle. Let us examine these one by one.

In considering the effect of instalment selling on the consumer let us analyze the situation in seven specific points.

We find some cases where individuals have been led into extravagance and debt because of the opportunities offered by instalment selling. Take for example a specific case upon which we have been doing some research work in Chattanooga, Tennessee, an industrial city of about 100,000. During the period from January 15 to April 30 (three and one-half months) a group of furniture dealers doing about 60 per cent of the total business reported 1,854 repossessions with a total amount owing of \$157,230.83. For the period from March 21 to April 30 automobile dealers doing approximately 80 per cent of the total business reported repossession of 385 cars with total amount owing of \$71,457.03.

A certain portion of the population of any city is composed of people who are irrational, who do not seem to be able to plan ahead. It is felt that this part of the population is to be found mainly in the small-salary and low-wage groups where income is small and common sense in regard to planning the equilibrium of income and expense is not prevalent.

People of this type have in many cases bought merchandise on the instalment plan to such amounts that the total monthly payments called for more than their monthly income. Some of

our merchants feel that perhaps twenty-five per cent of the population is overbought at present, i. e., have incurred monthly obligations larger than monthly incomes.

This is one economic consequence of instalment selling to our consumers. It is an evil of the first importance. It can be cured only by effective action of our credit men in two major ways: 1. Cooperating so as to prevent the possibility of consumers' overbuying; 2. Educating the consumers to obligate themselves in the future within limits prescribed by their incomes.

In other words, extravagance, overbuying, and sinking too deeply into debt (caused by trying to keep up appearances, craving to live beyond one's means, and ignorance and lack of common sense in planning and budgeting) are not incurable evils of instalment selling. They are abuses associated with any form of credit that is unscientifically administered by credit men. These abuses can be reduced to a point where they are no greater than in other forms of credit. And this can be done by credit men, and credit men only, working in cooperation.

A second practice, now indulged in by a substantial percentage of people, seems to have been caused to some extent by instalment selling. I refer to the recent great increase in the borrowing of money from the high-rate, small-loan companies to be repaid in monthly instalments.

We find many cases where individuals have over-bought due to instalment selling and, finding their current obligations larger than their incomes, they have borrowed from the small loan companies in order to meet their debts. But borrowing from the small-loan loan companies often loads new and larger monthly payments on the borrowers, and many people have become hopelessly involved. In some instances we have found individuals who, in ad-

dition to owing a number of instalment houses, have borrowed up to three hundred dollars from three, four, or even a half-dozen separate loan companies. The monthly payments due to the loan companies are sometimes larger than the monthly income of the borrowers.

But it is of no avail to sit back and hurl criticisms at the practice of the instalment sale of credit. The remedy is in the hands of the credit men of merchants and the credit men of small-loan companies. The evil can be reduced

only by all of these credit men cooperating to prevent over-buying of merchandise and over-borrowing of money.

Our third point brings out some good effects of instalment selling. First of all, instalment buying enables a person to secure immediate enjoyment of goods he could not obtain until some time in the distant future, if at all. If this introduces more happiness and satisfaction into the lives of people, we must regard it as a benefit of instalment selling.

Of course there is an extra cost to the consumer in securing immediately by instalment buying what he might never have if he were forced to save the entire price of the article before obtaining it. Does the extra cost to the consumer outweigh the happiness and satisfaction gained by immediate possession and use of the article? Neither you nor I are qualified to render a decision on that point. Only the consumer in question can compare the extra money he pays and the extra enjoyment he receives.

Another economic effect of instalment selling is this: it leads the consumer to put more and more of his income into durable goods as contrasted to ephemeral goods. Ephemeral goods are those which are consumed by one use, like food, or by a few uses, like many other items of expenditure which come to your mind. Durable goods, like houses, furniture, mechanical refrigerators, vacuum cleaners, stoves, ranges, phonographs, radios, washing machines, automobiles and pianos, last for many years.

Whether instalment selling, in causing more and more of the consumer's money to be put into durable goods, is having a good effect on the consumer is for you to decide. It seems to me that instalment selling raises the standard of

living in America.

What has been the effect of instalment selling on the savings of the consumer? Of course, we might say that in an individual sense a consumer is saving when he invests his money in a mechanical refrigerator or a vacuum cleaner. He has something that will last for years (something that is in a real sense

productive) to show for his money.

It is impossible to determine in the case of any city or of the country as a whole whether or not instalment sales have actually had a good or bad effect on savings. Any statement as to either of these effects can be no more than a guess, for we have no definite proof; nor is definite proof possible. One thing is certain: instalment selling has not prevented savings from increasing. We merely know that instalment selling has increased and savings have increased.

It may be possible, as people become educated to use instalment buying correctly, to lead them into instalment saving. Banking institutions have as yet made no comprehensive effort in that direction, although a beginning has been made in the offering of Christmas-Club and Vacation-Club plans, and here and there in the large cities we find banks selling bonds to customers on the instalment plan. It certainly seems very possible to convert the habit of paying for goods in instalments into the habit of paying for bonds in instalments.

What has been the effect of instalment selling upon the thrift of the consumer? Does it educate him to budget his income and expenditures; does it train him to plan ahead and organize his buying on a rational and thrifty basis?

No precise answer can be returned to that question. We have plenty of individual cases to show that instalment selling has had the opposite

effect on many people; that it has demoralized many and led them into extravagance. But we have seen that this situation is not an incurable one;

that it is a problem to be solved by our credit men.

It appears, from the opinion of our merchants, that for every person who has been made less thrifty by instalment selling, three other persons have maintained their thriftiness. It would seem that the principle of making periodic payments (and of budgeting income to make those payments) might be inculcated in the people in such a way as to increase thriftiness—if our credit men grow in ability and in willingness to cooperate with one another.

There is a final effect of instalment selling on the consumer to be noted. Does instalment selling encourage the desire to work and the efficiency of work on the part of the consumer? Does it increase the consumer's willingness to work? Does it make him work harder and more effectively?

We know from experience that instalment buying in the past has often augmented the efforts of the buyer, and increased his desire to save and pay for the article purchased. We have seen this happen in the buying of homes. We have always advocated home-ownership strongly, because when a man obligates himself for a home and begins paying for it, he steadies down, works harder, and becomes more stable and conservative. He is spurred on to greater exertion by the prospect of ultimately owning his own home—a piece of property, a durable good. If this is true in the case of the home, is it not true also in the case of the furniture of the home and of other property in the form of durable goods like automobiles, mechanical refrigerators, washing machines, vacuum cleaners, and musical instruments?

In regard to the effects of instalment selling on the consumer, we may conclude that it *may* be used so as to confer economic benefits far outweighing its disadvantages. Whether it *will* be so used, depends on our credit men.

Now what have been the effects of instalment selling on business and the business man?

First of all, instalment selling has made possible a greater volume of production and sales to certain

industries. I do not mean that instalment selling has caused or permitted increased production and sales throughout all the lines of American industrial ac-

Has the instalment credit extended in connection with instalment selling impaired the credit structure of the nation? This treatise gives a comprehensive and analytical answer to this most significant question.

tivity. But to certain of our industries engaged in making and marketing *durable goods of relatively high value*, instalment selling is particularly suited. By lessening sales resistance, instalment selling has increased production and sales in these industries.

Second, in those industries for which it is especially fitted, instalment selling helps to make possible large-scale production and stability of operation. These effects were observed in the automobile industry which is responsible for more than one-half of all instalment sales.

It is impossible to escape the conclusion that as far as durable goods of relatively high value are concerned large-scale production cannot exist in its present degree without the aid of instalment selling.

Contrasted to the benefits to certain industries of having a large and stable market, instalment selling presents some undoubted problems. In the first place, it is evident that some business men have found part of their open accounts made slower because some of their customers have been engaged rather heavily in instalment buying from other houses, and have been paying the instalments while allowing the open accounts to run beyond reasonable limits. Some business men estimate that a quarter of all their open accounts have been made slower by instalment buying at other houses on the part of their customers.

Here, again, the credit man comes face to face with his duty. If you are the credit manager of a manufacturer, wholesaler, bank, or retailer, it is up to you to see to it that the open accounts of your house are not adversely affected by the tendency of your customers to engage in buying too heavily at other houses on the instalment plan. To put it bluntly, you know that the customer is going to pay first of all those creditors who insist on being paid. It is up to you to see that you "get yours."

In passing, we may indicate another effect of instalment selling on business—an effect previously alluded to. It is clear that instalment selling has tended to direct a part of the spending of consumers away from those business men who are making and marketing ephemeral goods and goods of low value to those who are handling durable goods of high value. In other words, were it not

for the possibility of devoting small sums each month (by means of instalments) to the purchase of high-priced, durable goods, those small sums very likely would be spent for more food, more delicacies, more personal ornaments, more low-priced goods and services. This shift of spending by consumers reacts favorably to some business men and unfavorably to others.

Naturally, the worst consequence to

ductive of losses than selling on open account. Indeed we find from other figures in the report that for all the department stores of the New England Region and also of the Central North-west Region the losses on open accounts and on instalment credits were the same—.2 per cent.

The expert credit manager has already worked out practical rules to make instalments as safe as open accounts. He

knows that: 1. The smaller the down-payment, the larger the repossessions and losses; 2. The longer the credit term, the greater the repossessions and losses; 3. The down-payment must more than cover the depreciation in value of the article when it is moved from the store to the customer's home; 4. The amount of the payments made by any date in the term of the instalment contract must more than cover the depreciation undergone by the article at that date; 5. More care must be taken, than is now the case, in making the credit analysis before delivering goods to the consumer.

In brief, more losses occur in extending instalment credit than open account credit only when the instalment credit manager is ignorant of the scientific technique of his job or when the boss over-rides the sound judgment of the trained credit man.

Has the instalment credit extended in connection with instalment selling impaired the credit structure of the nation? Doubtless it will be agreed that instalment credit has reached peak heights due to the great expansion of instalment selling during the past decade. Yet the liquidity of credit in general has not been impaired for the very simple reason that instalment credit constitutes after all but a small part of the total credit structure. Only about 11 per cent of the total retail trade of the country is conducted on the instalment basis. This is a small fraction of our total retail credit and a still smaller fraction of the nation's total credit.

Has instalment selling exaggerated the business cycle by pushing the prosperity period to abnormal heights and deepening the business depression which follows? The answer is: Don't exaggerate the importance of instalment
(Continued on page 38)

THE EXPERT CREDIT MANAGER KNOWS THAT:

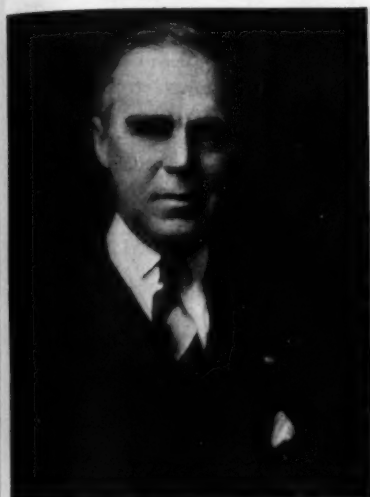
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business men of instalment selling is to be found in the problem of repossessions and losses. The "National Retail Credit Survey—Part I" just issued by the Department of Commerce of the United States gives data on 892 department stores which did an aggregate volume of business of \$1,654,240,078 in 1927. The average loss on open credit (regular charge) accounts for these department stores was .4 per cent, and the average loss on instalment accounts was .9 per cent.

But a detailed examination of the data is instructive. I find that the group of stores doing less than \$100,000 yearly had a loss ratio of 1.5 per cent on their open accounts and 1.9 per cent on their instalment credits while stores doing from \$100,000 to \$499,999 had a loss ratio of 1.1 per cent on their open accounts and only 1.0 per cent on their instalment accounts. Stores doing from \$500,000 to \$999,999 lost .6 per cent on open accounts and 2.1 per cent (three times as much) on their instalment sales. But stores doing from \$15,000,000 to \$19,999,999 lost only .1 per cent on instalments and .3 (three times as much) on their open accounts.

This suggests that instalment selling is not necessarily and always more pro-

C. M. CHESTER, JR., President of General Foods Corporation in this interview by Chester H. McCall, discusses many new phases of business, the most important of which is



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C. M. Chester, Jr.

ACROSS the canyon of business depression and uncertainty rings the voice of a great corporation stating that its sales for 1930 probably will show a material gain in volume over 1929. The same voice says that the return profits will perhaps pass \$22,000,000 as compared to \$19,422,000 for 1929.

When other companies are striving to hold their own or frankly admitting a decline in business, one pauses to analyze the evidence that gives rise to a prediction of this kind. This great company is General Foods Corporation and its spokesman is C. M. Chester, Jr., President. Let us consider briefly a few facts about Mr. Chester and General Foods Corporation before I give the report of my interview with Mr. Chester in his office at 250 Park Avenue, New York.

Mr. Chester, a general in the "Battle of Business", is the son of Rear Admiral C. M. Chester (U. S. N. retired), who from the time when he fought in the battle of Mobile Bay, during the Civil War, to his service in securing the "Open Door" for American trade in the Orient under the Roosevelt administration, has lived one of the most distinguished careers in the American Navy. Facing Mr. Chester in his office is a large portrait of his father in uniform and one can not doubt that his

A New Revolution in Wholesaling

distinguished presence is a source of inspiration to the President of General Foods Corporation.

Mr. Chester attended Mohegan Lake School at Peekskill, New York, St. John's College, Annapolis, Md., received his PH.B. and B.A. at Yale University, and also was graduated from the New York Law School. Mr. Chester, during the war period, was a Major of Infantry in 1917, served at Camp Mead, Maryland, and Camp McArthur, Texas, and had received appointment as Inspector General for overseas assignment when the armistice was signed.

Shortly after the War he became associated with the Postum Cereal Company in Battle Creek, Michigan, as Assistant Treasurer, and was later elected Treasurer and Vice-President, and in 1924, President of the company that has grown in total sales from upwards of \$20,000,000 in that year to \$128,000,000 for 1929. The growth of the General Foods Corporation is one of the phenomena of present day American business. From the Postum Cereal Company which handled but four products in 1922, this organization has grown to a vast unit producing more than eighty brands of food which are retailed through over 400,000 grocery stores. Stockholders have increased from 1,783, three years ago, to 32,065 at the present time. Net profits since 1922 have increased approximately 600 per cent. or from \$2,878,722 to \$19,422,314 for 1929. And most of this phenomenal growth has taken place under the six year concentrated leadership of C. M. Chester, Jr.

Mr. Chester's office at 250 Park Avenue is not at all pretentious, and is, in fact, considerably smaller than most of

the offices of the corporation executives I have interviewed in the past year. But I had not talked to Mr. Chester longer than ten minutes when I felt sure that this office was large enough for any mind to project itself across into broad horizons of vision and management. Back of Mr. Chester's desk are several rows of books and bound reports reaching from desk high on the wall almost to the ceiling. At the right is a comfortable davenport. The two windows on either side of the bookshelves at his back face a broad balcony which overlooks Park Avenue. A long glass door at the right leads out to the balcony. Over in one corner is a picture of Roosevelt and around the walls are several old prints of early New York and early America. Mr. Chester's office leaves the dominant impression that it is a home-like place to work and plan and dream—and what executive can ask more?

A Basic Industry

The food industry is absolutely basic to man. In this country it absorbs 26 per cent. of the national income. People's appetites, taking them year in and year out, fluctuate less than any other human want. General Foods Corporation is an investment in appetites—a huge organization created to satisfy your appetite and mine—and satisfy them a little better than they have ever been satisfied before.

A few days ago I had luncheon with an official of a New York investment house. Moving his hand in a semi-circle that indicated perhaps forty tables of busy New Yorkers at luncheon, he said: "Those appetites are good investments. They never fail—and they are regulated less by the pocketbook than

WHOLESALE— HOW WILL THE NEW REVOLUTION in the wholesale market- ing and merchandising of foods affect you?

o n e
w o u l d
i m a g i n e .

Food as a big business is just on the threshold of its greatest development. Every wide-awake executive should follow this development closely. It is important to him for a dozen reasons. . . ."

The questions I asked Mr. Chester were intended to bring out salient facts about the food industry and about the organization and development of General Foods Corporation. Before leaving my office to interview Mr. Chester, one of my associates said that he had purchased his first block of General Foods shares that morning. He suggested that I start the interview by discussing with Mr. Chester on the merits of his investment. I did.

Mr. Chester smiled. "Did he say why he had bought these shares this morning when he had never purchased any before?" he asked.

"Yes", I replied. "He believed that the present soundness of General Foods stock was further re-inforced through the new development in frozen foods. Will you take a few minutes and explain the nature and significance of frozen foods?"

"The frozen foods process introduced the most revolutionary innovation that has yet affected the food industry", Mr. Chester answered. "Up in the north nature has for ages been applying a perfect method of food preservation. It is true that refrigeration and freezing of foods have long been used by man, but he has been prejudiced against frozen foods. Frozen meat and frozen vegetables have often been rather tasteless. They haven't looked right. And now the new frozen foods process preserves food perfectly, at the same time retain-

ing all of its tasty qualities. The trouble was not in using cold to keep foods fresh but in not using enough cold applied more quickly.

"The frozen food process will not only revolutionize food manufacture and production; it will bring about a new or-

purpose. The farmer will be able to sell perishables that are now partially wasted.

"Frozen foods will cut down waste and will lower shipping costs—which redounds to the benefit of the wholesaler. In the wholesale produce market there is a large wastage in the fruits and vegetables that are packed in barrels, crates, boxes and hampers. The added selling cost to the wholesaler from this cause has been one of his chief problems. The new frozen process eliminates spoilage and insures the wholesaler a very significant economy.

"Another important economy is that of shipping. A carload of spinach, for example, is one-third dead weight—and the shipper also pays for space occupied by air to keep the spinach alive. Much of the waste is avoided by shipping the product in frozen form.

"Still another economy comes to the wholesaler through this new process. Many perishable products are seasonal and in times of over-

der in marketing and merchandising. Foods will be packed in cartons or enclosed in transparent cellulose so that one can see what he is buying. Vegetables, fruits, meats, dairy products—all will be adaptable to this new process. The possibilities uncovered by this new process are so great that the mind can hardly realize their scope."

"How will this development in frozen foods affect the food and grocery wholesalers of the country?" I asked.

"General Foods Corporation has conducted a two months test with quick-frozen products at Springfield, Massachusetts, and found them readily acceptable by the consumers. As frozen foods are distributed on a national scale many industries will be benefited. A large scale of the 400,000 grocery stores will install refrigeration equipment. The automobile industry will be called upon for trucking facilities. Railroads and ships will have to serve another

duction much of the food is wasted or sold below cost of production. The wholesaler suffers from this evil both from the buying and selling

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- ■ The pilot of a ship has a broader horizon than the swimmer in the sea, and the aviator has a broader sweep of vision than either of these two. Like the airman, the credit manager is broadening his vision by rising above the elementary, rubber-stamp activities of his work. One of the country's leading credit executives notes this trend, and describes in this article how

The Credit Manager's Horizon is Growing

THE fundamentals of credit granting have been so thoroughly written about and discussed that they are, to all but the uninitiated, an old story. The various ratios which have been evolved from analyses of balance sheets have well defined values and are of great significance particularly in the year-to-year comparison of financial statements. In recent years the profit and loss statement has been considered by credit men as an increasingly important supplement to the balance sheet if a more or less complete picture of operations and financial status is to be had. The three "C's", character, capacity and capital, are as elemental as air, earth, fire and water. With the various sources of information now available including Mercantile Agencies, Banks, Trade Houses, Credit Associations and various statistical publications and the almost universally adopted principle of the interchange of credit information, a credit file of voluminous proportions full of tangible facts and figures can soon be built up.

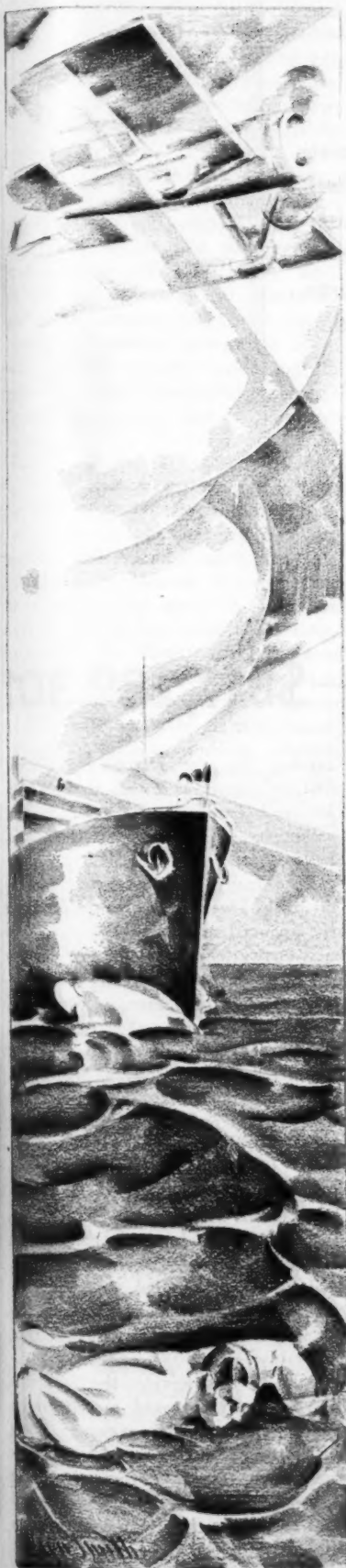
A great many credit men consider this conglomerate mass of information, revised and brought up-to-date from time to time, all that is necessary for passing upon their customers' responsibility for ultimate payment. They can quote figures and recite facts and their "book larnin'" is prodigious. They can sit at their desks and turn down business supported perfectly by the accumulated data. In a great many cases they tend to become arbitrary. A credit man's value to his company diminishes in inverse ratio as this develops.

To my mind such accumulated information constitutes only the starting

point for intelligent credit granting. A sale, of course, is worthless unless ultimate payment is assured but in a great many cases sales with payment ultimately assured are lost because a credit man does not attempt to go beyond such information and to search more deeply for a basis for extending credit when the surface facts do not seem to warrant it. A deeply buried fact may often serve as a corner stone for building up a successful and profitable relationship.

A credit man should and can be as much of a salesman as a member of the sales force selling the commodity or commodities produced. The first requirement for this is sympathy for the customer's point of view and an understanding of his problems and prospects. This can best be developed, of course, by direct contact. I am fully convinced that in many cases sales can be saved and accounts made valuable by a careful and intelligent analysis of a customer's problems and prospects after direct contact. Then, too, personal contact broadens the vision of the credit man and develops the consideration for regional conditions and conditions peculiar to the particular type of business which is necessary for an intelligent and constructive analysis of the problems. Whether he passes on credit involving one type of commodity sold to one type of business in one particular region or on various commodities sold to radically different types of businesses in widely scattered localities, he must keep himself informed of conditions in each type of business in each region and his customers' problems or prospects by direct contact and close

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Why?

Even with the scientific, elaborate network of fact-gathering and fact-disseminating machinery of the commercial credit fraternity, there is a staggering total of disastrous failures, with commercial credit losses exceeding even the total fire losses. What are the root-causes of this condition?

L. F. Rosenberger, Credit Manager, Coleman Lamp and Stove Company, Wichita, and Director, Wichita Association of Credit Men, answers this question in his article on

National Bad Debt Loss—1929—\$817,282,301

NOT so many years ago the extension of a line of credit by wholesaler to retail merchant was an individual proposition based upon personal acquaintance with each dealer, his finances, business methods, character, local trade territory, what he sold and when, who his customers were and how and when they normally paid their accounts.

The idea of the average retail merchant seemed to be that absolute secrecy concerning his financial affairs was of paramount importance with the exception, perhaps, of the jobbing house or so from whom principal purchases were made. Even in these quarters, information was extended only under very trying conditions.

Perhaps a single creditor whose "drummer" possessed an unusually progressive and pleasant personality, would be "given the inside track", and a mortgage on certain of the dealer's property, to secure the present balance and future purchases. Then, other houses, basing their credit decisions on visible assets, having no knowledge of hidden liabilities, mortgages, liens, large overdue balances, etc., continuing to sell the account for what appeared to be reasonable lines of credit, would wake up some fine morning to find the store had been taken over by their

more enterprising competitor to satisfy certain mortgages, however deviously and secretly obtained. Usually, the one large creditor collected in full. If, by any chance, anything was left over, the next creditor gleaned that. Some were left "holding the sack" in virtually every failure—and failures were not so infrequent where it was the practice of the average retailer to extend credit to almost anybody for almost any period. Settlement once or twice yearly, with an occasional payment in between, was all any supply house was supposed to expect. Much can happen to a merchant in six months, especially if crops fail or conditions in general are adverse.

No wholesale credit man knew definitely, as a general rule, what his customer-merchant owed elsewhere. Competitive houses operated on a basis of "dog-eat-dog", and co-operation among jobbers was almost unheard of, particularly with reference to a mutual customer.

Contrasting those narrow minded, selfish, haphazard conditions with the credit system of today, one realizes that this truly phenomenal era of progress has not been confined to material, mechanical development. As great or greater progress has been made in business ethics and practices. From "dog-

eat-dog" the general credit code shifted first, by degrees, as it were, to "live-and-let-live", graduating into the present philosophy—"Live-and-Help-the-Other-Fellow-Live".

How many, among retailers and individuals, I wonder, realize the fact that the financial affairs of the average business institutions are as an open book to the up-to-date credit executive?

The commercial agencies, Dun's and Bradstreet's, revising their ratings continually, furnish a "bird's-eye view" of the average business at a glance. A certain commercial rating may signify a number of probable conditions to the executive who regularly analyses credit risks. It is really remarkable how much may be reliably assumed about an account from the mere symbols composing the rating. A certain combination of "capital" and "payment record", making up the symbol, so often indicate a given condition, that fairly accurate judgment may be formed from the rating alone.

Add to this service, the fact that over eighteen thousand manufacturers and jobbers regularly exchange ledger information concerning dealer's payment practices, this information being compiled nationally and concentrated into one report through a central clearing house in the space of a couple of

weeks at the request of any individual member, and it will readily be understood that, even though the retailer may refuse to disclose financial information, the concerns from whom he purchases his merchandise know how he pays his bills, in any event.

The practice of filing an up-to-date financial statement annually with the commercial rating companies, has become so nearly universal, that generally speaking, the credit "fraternity" have almost come to view with alarm the occasional merchant who persists in the nineteenth century practice of maintaining strict secrecy concerning his financial affairs—particularly if ledger interchange reports show past due accounts.

It is true that it is not good policy to talk too much concerning the "confidential" financial side of one's business. On the other hand, it is a part of the "code" among credit men that a merchant's financial affairs are not publicly discussed, nor is it possible to determine from any form of commercial report, the identity of the concerns furnishing the compiled information.

Nevertheless a few comparisons from an auditor's standpoint, of total figures thus compiled, give an almost infallible indication of the actual financial condition of the subject of the reports.

What is the result of this elaborate network of fact-gathering machinery of the commercial credit fraternity?

Where they once proceeded blindly, individually, gropingly—now, they know! Even now, thousands of business failures occur annually, and many efficient, well-meaning, hard-working credit executives figure in the losses sustained by the creditors—all of them to a more or less extent.

But this is not because they did not know.

Where, under the old regime, a disastrous failure could strike "out of a clear sky", the failures of today may almost invariably be forecasted many months in advance. Local conditions oftentimes advance the probable date of failure, or the failure may be retarded and the business rehabilitated through a marked improvement from this same source. Local conditions too, are quite accurately and dependably described and forecasted by the Babson statistical organization, by comparatively small sections, so that an analysis of even that phase of the problem lies ready for the use of the modern credit executive—also from an entirely disinterested source.

Why, then, when credit departments

have these facts available, are so many disastrous failures regularly causing annual losses exceeding even the total losses from fire—millions of dollars in volume?

The urge for sales volume at any cost, the chance that failure may be diverted until this one last account is paid—the fear of turning down business which may be sound, after all—overlooking of pertinent facts disclosed by reports not scrutinized with sufficient diligence—the dangerous thought, "He has always managed to pay somehow, and probably will again"—deliberate acts of fraudulent bankrupts, these are some of the "bugaboos" that catch even the present day credit manager "asleep at the switch".

The almost unbelievable advancement and improvement in credit methods, largely due to the organization and example of the National Association of Credit Men, is effecting quite substantial savings for concerns properly or-

ganized to utilize these factors in protection of their Receivables.

Improvement, for the future, apparently, will be through more thorough interpretation of available information, "stiffening of the backbone" of wavering, spineless credit executives (for some exist even in this commercially dangerous field) more complete co-operation in the national ledger experience interchange service, more strict insistence upon adherence to terms of sale, and a steadily increasing influx of competent wide-awake young credit executives now regularly in training under the auspices of a national organization of the present "watchdogs of the Accounts Receivable ledger."

The national bad debt loss from bankruptcies in 1929 is reported at \$817,282,301. Surely, no greater financial opportunity exists for the management of modern business than that of effecting a substantial reduction of this loss for 1930 and years ahead.



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What the Banker Wants to Know When You Borrow



BUSINESS ABILITY PROPERTY WORTH CHARACTER

Credit has become more or less of a science fairly exact in many respects and reasonably uniform in the application of basic rules.

THE granting of credit in banking institutions generally devolves upon the discount or loan committee. This committee is sometimes composed of bankers trained in the technique of credit, but more often is constituted of laymen,—business men whose credit experience has been gained in their own particular business. In some cases, which may be considered exceptions to a rule, bank officials individually pass upon applications for loans, but the first mentioned method predominates. Whether the mental processes that attend loan operations be those of experienced credit men, or those of novices in the field, both consciously or unconsciously apply the same tests to the matter in hand.

There was a time, somewhere about a quarter-century ago, when the granting of credit was based largely upon casual knowledge of the man. There was nothing approaching a scientific test applicable; nor were the credit processes standardized. Each in his own way endeavored to answer the eternal question of whom to trust. Of late years, however, credit has become more or less of a science, fairly exact in many respects, and reasonably uniform in the application of basic rules.

ise to pay? This is the answer: It is a self evident fact that the loanable funds of a bank are created by the depositors. It is they who form the credit pool. Were it not that some men have a surplus while others have a dearth, banks could not carry on. As a matter of fact, those who have an abundance put into the pool that which those who face a shortage take out. Therefore, the first inquiry that takes place is an investigation into this right. In other words, is this man a depositor in this bank, and if so, what kind of a depositor is he? His faith in the bank and his friendship for it should be evidenced by his deposit account. Unless he has helped create the loanable funds he has no right to draw therefrom.

I have sat with loan committees many years. I have presented many applications for credit, some with hesitation, some with fear and trembling and others with boldness and certainty. I have never had a doubt about the fate of that application which began with a sizeable balance. I have never seen an application summarily dismissed where it was supported by a goodly bank account. The psychology of this is plain. Whether the loan officials have

The purpose of this paper is to discover if possible, what goes on in the mind of the banker when he is asked for a loan, the term banker including the loan committee composed of laymen inducted into the management of a bank.

The first question that presents itself is: By what right does this man ask for credit? Has he the moral right to ask us to exchange money, or the right to draw checks on us, in return for his prom-

reasoned it out as we are now doing, or not, they realize that this applicant is a friend, a patron and a supporter of the bank. By the first rule of credit he is entitled to consideration. He is within his ethical rights. However unfavorable the other factors may be, this one is favorable. It may be that the lending minds realize that to offend him might lose a good depositor—and it might. Timidity may be the underlying reason for favorable consideration; but nevertheless, the would-be borrower who starts out with this element in his favor has gone a long way toward his goal.

On the other hand, if the applicant has little or no bank balance, the odds are against him from the beginning. A review of the loan reports that in some banks give the average, or the high and low balances for the period, shows that the balances in many cases are pitifully small. In many banks there is a rule that the borrower must maintain balances equal to about twenty per cent. of his loan. Some banks enforce the rule; many would like to do so but cannot. At any rate, the average loan in the average bank does not carry proper balances with it. I have seen the favorable effects of adequate balances, and the adverse effects of inadequate balances so many times, that I cannot too strongly stress this important element in the matter of credit.

It is often argued that if the borrower had money to leave on deposit he would not borrow—at least to the same degree. But this does not take into consideration the fact that the banker wants balances. He wants to build up his deposits. He must make loans if he is to exist; and he must have balances if he is to continue to make loans. Whatever may be the cost of maintaining substantial bank balances, with or without interest, this is not to be compared with the greater

BY WILLIAM H. KNIFFIN

Vice-President, Bank of Rockville Centre Trust Company

value these balances will have when he applies for credit. The business man (and there are many) who abhors keeping money idle in the bank, may well balance his gains with his losses and see how the benefits far outweigh the cost. Therefore, you who would seek the favor of your banker, find it along this route.

The foregoing principle may be illustrated by visualizing a community that decides to abandon the old fashioned wells and cisterns and install a modern water system. Every householder is invited to contribute through stock and bond subscriptions, with the understanding that only those who help build the system may benefit thereby. All do so but one, who holds out and claims that the old way is good enough for him, and that besides, his well has never run dry. Comes the time when drouth sets in and the never-failing well dries up. The thirsty fellow comes to the water company seeking relief. He will gladly pay for the water now. But he is firmly told that inasmuch as he never helped make the water system a reality, he cannot expect to enjoy its protection. By this

same token banks favor their own depositors in the matter of loans; and by the same token it takes care of them whether the times are good or bad. He who grasps the significance of this simple illustration has gone a long way toward solving some of his loan problems. Be good to your bank and it will be good to you!

As soon as the ethical right to borrow is established, there begins the scientific side of credit, namely, an investigation into (a) the character of the borrower; (b) his business ability; and (c) his property worth, as affording backbone to the other factors.

The banker wants to know you. Many a loan is made upon simple faith in the borrower's fundamental integrity. Business character is a man's choicest asset. It means more than simply being good. The goodness must be positive and not negative. He must stand for all that is highest and best in business. His merchandising methods must be fair and square and his advertising honest. Every sale must be exactly as represented. There must be no deceit, no unfair practices, no sharp bargaining. The business man must realize that good-will may be created out of the most trivial happenings and

ill-will likewise. To make every patron satisfied may at times cost money, but it is good psychology and it is good business. Some concerns have built up such a reputation for *quality* that anything that comes out of that place carries with it implicit faith in its goodness. We are proud to wear the label in our hats. The garment fits a little better because we believe in the house that sold it. Frequently I meet men who have been life long patrons of a certain firm, just because an un-

ability and no character and he falls. Back of every successful business is this "know how." The banker finds it out and gives it a proper place in his valuation of men. He watches men and forms opinions. He knows who are tricky and who are dependable. He knows who are able and who are not. He knows why some men steadily climb up and why others never get ahead.

The formula of business may well be expressed thus: Character plus ability equals property. That is to say, the man of integrity, who has ability accumulates property. He gets somewhere. He creates an estate. Constantly he adds to his wealth. Therefore, today, more than at any time in the past, the banker looks into a man's property worth before he extends credit. He fortifies the character risk and the ability risk by property. He wants something to fall back upon in case the man turns out a disappointment as far as his integrity or his ability are concerned.

The making of credit statements as a requisite to borrowing is of comparatively recent origin. The banker of today

does not depend upon casual knowledge. Life is too complex and changes too often. The speculative mania runs through so many men that they may be good today and bad tomorrow as credit risks. Therefore every applicant for credit must furnish a statement of condition—his own appraisal of himself. It takes no genius to read the average statement. This loan committee of which we speak can do it. If, for instance, the banker finds that the applicant owns nothing but real estate, all mortgaged, with no money in the bank, he knows that he is "property poor". To repay a loan may mean the sacrifice of some of his holdings. His assets are non-liquid, and perhaps badly frozen. He may be honest; he may be able; he may have net worth. But he is weighted down with a load that may be costly to carry and distressingly slow in liquidation. But if the banker finds that the borrower has free and clear real estate, stocks and bonds, some cash in the bank, he knows that there are several ways in which this borrower could meet his debt, should the venture he has in mind turn out badly. And if the statement should prove to be false—well, there is the District Attorney

(Continued on page 45)

QUESTIONS THE BANKER ASKS

By what right does this man ask for credit?

How high does this man's character rate?

What is his business ability?

How much and what kind of property does he own?

Does he meet the requirements of the formula of business?

satisfactory sale was made right. It takes so little to bind an individual to the house, and so little to drive him away, that I wonder business men do not give more heed to the psychological side of their operations. The banker fully appreciates what business character means. He gives it its proper place when he sits down to review a loan application. It plays a large part in his credit impulses. He will stake the man in whom he believes to the last dollar, whereas he would not care to make him a loan, even on collateral, if he did not trust him.

The world is full of mediocre men. It is likewise full of men of ability. If there be one outstanding characteristic of American business men it is the ability to do things. The story of American business runs more or less along the same line: he began with nothing and eventually he arrived. From newsboy to millionaire, is not fiction, but fact. We see it on every hand. Not that the making of money is the sum total of business achievement. Not that it is success in itself. But it is tangible evidence of the man's ability to do something exceedingly well. Give a man business character and business ability and success follows. Give him

Forestalling Retail Failures

IN the City of Seattle the losses from fire last year were \$986,000. During the same period in the same city the losses through business failures among retailers was estimated at between two and three million dollars, including loss of invested capital as well as losses to creditors. A survey by the Domestic Commerce Division of Kansas City, a city of similar size showed that of the 1,084 restaurants licensed last year, 551, or over 50 per cent., either changed ownership or went out of business. An estimated monthly loss of capital investment and losses suffered by creditors was figured at \$25,000.

It is significant that though fire losses are a mere fraction as compared to the economic waste of business failures, every municipality appropriates vast sums for fire protection, whereas little or nothing has been done to curtail the more enormous losses through business failure. The charred ruins of a fire-gutted building are a more potent stimulus to protective measures, than the same building placarded with "Bankruptcy Sale." That's the difference though the economic losses to the public in retail failures are eminently greater than fire losses.

Every failure in retail business represents a direct loss to the manufacturer in uncollected bills. The substantial retail competitor suffers through distressed merchandise being thrown on the market at bankrupt prices. Ultimately the consumer assumes a large part of the burden of wasteage in distribution.

Here we have a thumbnail picture of a sinister influence in a business structure that permits every Tom, Dick and Harry to go into business, regardless of personal qualifications or chances of success. Can anything be done about it?

In the past it has been regarded as an inevitable evil of the competitive system, curable only by the merciless law of the "survival of the fittest."

However, in the last year or two business leaders have begun to assume a new responsibility toward the weak links in the business chain. The manufacturers, for instance, through group effort are developing a method of protective supervision that makes business

more nearly a science that can temper the weak links with strong ones.

The situation in the field of distribution of merchandise is quite analogous to that in the life insurance business. A few years ago an executive of one of the largest life insurance companies conceived the idea of yearly medical examination of all policy holders above a certain age, so that precautionary measures might be taken against the inroads of diseases. However, it was three years before the board of directors were convinced of the feasibility of the plan, due to the expense involved. Now, the medical examination of policy holders is universal in the insurance business, because it proved the soundness of the old adage, "an ounce of prevention is worth a pound of cure."

The successful business man is beginning to adopt the same attitude toward the incompetent or unfortunate colleague in the business world. A very prominent and successful executive of one of Seattle's large corporations was recently asked why he joined so many business organizations. It seemed rather superfluous in his case, for his organization maintains its own research laboratories, its own legislative bureaus, and most of the other activities that usually occupy the business groups. He hesitated a moment and then frankly admitted the reason.

"We draw a budget, and chart our course for the coming year with a fair degree of certainty, he replied. "The greatest hazard is what an unintelligent competitor may do. By unintelligent, I mean a competitor who does not know

- In 1929 in Seattle, the losses through
- business failures exceeded the losses through fire. T. J. MULLANE, Credit Manager of the Crescent Manufacturing Co., Seattle, shows in this article that credit managers are keenly aware of this problem and are making earnest efforts to overcome it by the scientific administration of Business Service.

his costs; cannot analyze statistical reports in anticipating market conditions and various other items which the management must know to chart its course successfully. The uncertainty of what such a competitor will do is what keeps us constantly concerned. So, whenever there is a business group which we feel is doing real work in building up intelligent competitors we give it our wholehearted support."

How Business Service Helps

Out of this attitude has grown a definite method of procedure, which for lack of a better term, is called Business Service. The direct vehicle is the National Association of Credit Men, whose Business Service Committee, sponsors a trained investigator to offer and suggest improvements in business management, merchandising and credit procedure that will aid the retailer who has lapsed into a bad condition.

To get an accurate picture of what has been done and what the future holds, it is necessary to scrutinize the work of the local groups that are in the front ranks of the salvage crew. These groups are composed of representatives and executives of manufacturers or distributors who are directly interested in the welfare of the retailer, and who by their wider business experience are able to assist the merchant of the marginal type. These leaders of business work in a group through the Business Service department of the local associations of credit men.

It seems superfluous to emphasize the importance of the group effort in this

respect. Obviously, the individual manufacturer or distributor is loath to make concessions or expend costly effort in rehabilitating a weak account without knowing what other creditors will do concerning the account.

Through the various local trade groups, such as the food group, building material group, etc., a definite procedure is taken that involves all interested creditors. Usually, a weekly meeting of the group is held to secure ledger interchange information. In these meetings it may develop that some customers among retailers are greatly in arrears with many of their creditors, or that unfavorable factors have been observed. The group may wish an examination of a particular debtor to determine whether preventative or remedial measures should be taken. All creditors are informed of the action taken by the group, and the cost of the investigation is pro-rated among the creditors. A business expert is employed by the local association to make investigations, and to offer recommendations toward rehabilitating a distressed merchant, if that seems advisable. In some cases the investigation reveals that the merchant is in a hopeless condition, and hence liquidation is brought about earlier than otherwise would be the case, to the mutual benefit of creditors and debtor.

If the business expert is a tactful person, the distressed merchant is soon made to realize that the examination of his business is essentially helpful and constructive in its spirit, though exhaustive in its demands for information.

The preventative aspect of Business Service is even more important to save misfits in business from swelling the volume of business failures whose liabilities, we are told, will approximate \$1,000,000,000 yearly. Besides educating the mediocre dealer to become a more astute merchant, a service just as valuable is to discourage the misfit and unqualified from going into a business where his chances of success are too slim.

Whenever a credit man or a Business Service Group is confronted with such a one asking for credit, they start an investigation. If the facts warrant it, the aspiring merchant-to-be, is frankly advised against the gamble. Without support from the group of manufacturers or wholesalers, his troubles are over before they begin. Likewise, a worthy project is given encouragement along conservative lines, because all the facts are known. This approaches science in business, although the variable human element is always present to upset the best calculations.

As an indication of the scope and extent of this new project in business rehabilitation, it may be cited that up to January 1, 1930, one of the largest associations on the Pacific Coast has investigated almost 300 cases since its inception. The average cost of conducting investigations was \$17.20 per case; the cost per member averaged \$2.27.

Summarizing, it may be pointed out that this work is a boon to the distressed merchant who is given every chance and help in straightening out his tangled affairs. Obviously the creditor is repaid manifold, for:

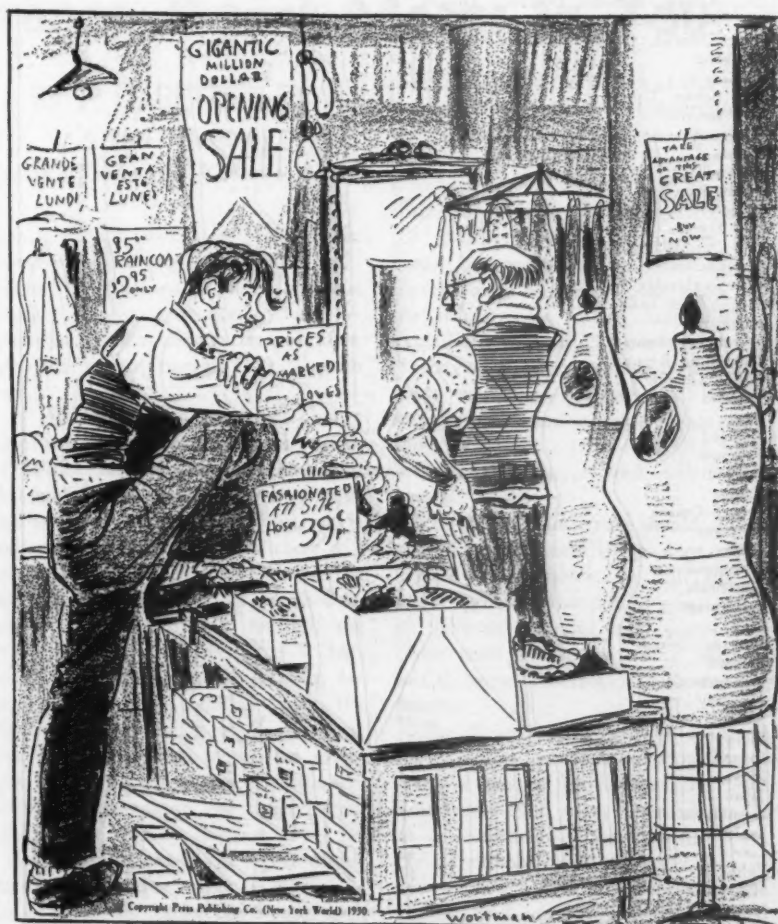
1. Every business saved is one less in the large customer turnover. When a business fails not only is there generally the money loss incident to the complete or partial loss of the book account, but also the loss due to the original cost of developing the account.

2. Prompt action on the part of creditors in cases requiring liquidation

brought about by reason of the examination, saves much money. Last, and by no means the least, and destined to become a factor of prime importance, the creditor can obtain information on any customer to determine how far he can go in granting further credit.

Finally, the new attitude and action of the business executive and credit man toward the distressed account, is developing a higher type of credit man, and increasing the value of his position to his house. It is broadening his knowledge of business, fitting him to answer questions requiring an intimate knowledge of all branches of merchandising and finance. His value increases as he recognizes his responsibility toward the debtor as well as toward the house, and harmonizes the relation between buyer and seller by invaluable personal contacts with customers, both grounded in a knowledge of facts that makes business a science.

"The charred ruins of a fire-gutted building are a more potent stimulus to protective measures, than the same building placarded with 'Bankruptcy Sale.'"



Courtesy, Press Publishing Co.

"It's about time we took down the 'Gigantic Opening' and put up the 'Stupendous Bankruptcy.'"

In figuring out the financing of foreign trade, interest charges, turnover, etc., it is necessary to have some fairly approximate schedule for the return of funds on foreign drafts. MR. J. W. BARR of the Quaker Oats Co., New York City, has prepared for the CREDIT MONTHLY the following chart, giving the average time which elapses before funds in payment are returned to New York. This chart is based on the records of several years experience covering hundreds of foreign bills. While this chart covers only sight drafts or time bills on a sight basis, interpolations may be made for other terms in foreign trade.

Time Schedule on Foreign Drafts

PLACE	SIGHT DRAFT	10 DAYS SIGHT DRAFT	30 DAYS SIGHT DRAFT	60 DAYS SIGHT DRAFT	90 DAYS SIGHT DRAFT	120 DAYS SIGHT DRAFT
Alaska	7 weeks	59 days	79 days	109 days	139 days	169 days
Arabia	13 "	101 "	121 "	151 "	181 "	211 "
Argentina	10 "	80 "	100 "	130 "	160 "	190 "
Australia	12 "	94 "	114 "	144 "	174 "	204 "
Austria	7 "	59 "	79 "	109 "	139 "	169 "
Bahamas	3 "	31 "	51 "	81 "	111 "	141 "
Belgium	5 "	45 "	65 "	95 "	125 "	155 "
Bermuda	3 "	31 "	51 "	81 "	111 "	141 "
Bolivia	8 "	66 "	86 "	116 "	146 "	176 "
Brazil	10 "	80 "	100 "	130 "	160 "	190 "
British Guiana	6 "	52 "	72 "	102 "	132 "	162 "
British West Indies						
Antigua, Barbados, Dominica, Jamaica, Montserrat, Nevis, St. Kitts, St. Lucia, Trinidad, Grenada	5 weeks	45 days	65 days	95 days	125 days	155 days
Bulgaria	9 "	73 "	93 "	123 "	153 "	183 "
Canada						
Border Towns	1 "	17 "	37 "	67 "	97 "	127 "
Interior	3 "	31 "	51 "	81 "	111 "	141 "
Chile	10 "	80 "	100 "	130 "	160 "	190 "
China	13 "	101 "	121 "	151 "	181 "	211 "
Colombia	8 "	66 "	86 "	116 "	146 "	176 "
Costa Rica	5 "	45 "	65 "	95 "	125 "	155 "
Cuba						
Havana	3 "	31 "	51 "	81 "	111 "	141 "
Outside Points	4 "	32 "	52 "	82 "	112 "	142 "
Curacao	7 "	52 "	72 "	102 "	132 "	162 "
Czecho-Slovakia	7 "	59 "	79 "	109 "	139 "	169 "
Danish West Indies	5 "	45 "	65 "	95 "	125 "	155 "
Denmark	7 "	59 "	79 "	109 "	139 "	169 "
Dutch East Indies	17 "	129 "	149 "	179 "	209 "	239 "
Dominican Republic	6 "	52 "	72 "	102 "	132 "	162 "
Dutch Guiana	8 "	66 "	86 "	116 "	146 "	176 "
Ecuador	8 "	66 "	86 "	116 "	146 "	176 "
Egypt	12 "	94 "	114 "	144 "	174 "	204 "
England	4 "	38 "	58 "	88 "	118 "	148 "
Estonia	12 "	94 "	114 "	144 "	174 "	204 "
Finland	9 "	73 "	93 "	123 "	153 "	183 "
France	5 "	45 "	65 "	95 "	125 "	155 "
French Guiana	8 "	66 "	86 "	116 "	146 "	176 "
Germany	5 "	45 "	65 "	95 "	125 "	155 "
Greece	8 "	66 "	86 "	116 "	146 "	176 "
Greenland	16 "	122 "	142 "	172 "	202 "	232 "
Guatemala	6 "	52 "	72 "	102 "	132 "	162 "
Guadeloupe	8 "	66 "	86 "	116 "	146 "	176 "
Haiti	5 "	45 "	65 "	95 "	125 "	155 "
Hawaiian Islands	10 "	80 "	100 "	130 "	160 "	190 "
Holland	5 "	45 "	65 "	95 "	125 "	155 "
Honduras	6 "	52 "	72 "	102 "	132 "	162 "
Hungary	8 "	66 "	86 "	116 "	146 "	176 "
Iceland	10 "	80 "	100 "	130 "	160 "	190 "
India	13 "	101 "	121 "	151 "	181 "	211 "
Ireland	5 "	45 "	65 "	95 "	125 "	155 "
Italy	5 "	45 "	65 "	95 "	125 "	155 "
Japan	13 "	101 "	121 "	151 "	181 "	211 "
Jugo-Slavia	7 "	59 "	79 "	109 "	139 "	169 "
Lapland	12 "	94 "	114 "	144 "	174 "	204 "
Latvia	12 "	94 "	114 "	144 "	174 "	204 "
Lithuania	12 "	94 "	114 "	144 "	174 "	204 "
Manchuria	13 "	101 "	121 "	151 "	181 "	211 "
Mexico	4 "	38 "	58 "	88 "	118 "	148 "
Newfoundland	4 "	38 "	58 "	88 "	118 "	148 "
New Zealand	11 "	87 "	107 "	137 "	167 "	197 "
Nicaragua	6 "	52 "	72 "	102 "	132 "	162 "
Norway	7 "	59 "	79 "	109 "	139 "	169 "

CREDIT MONTHLY

PLACE	SIGHT DRAFT	10 DAYS SIGHT DRAFT	30 DAYS SIGHT DRAFT	60 DAYS SIGHT DRAFT	90 DAYS SIGHT DRAFT	120 DAYS SIGHT DRAFT
Panama	4 "	38 "	58 "	88 "	118 "	148 "
Peru	13 "	101 "	121 "	151 "	181 "	211 "
Philippine Islands	9 "	73 "	93 "	123 "	153 "	183 "
Paraguay	12 "	94 "	114 "	144 "	174 "	204 "
Poland	10 "	80 "	100 "	130 "	160 "	190 "
Porto Rico	7 "	59 "	79 "	109 "	139 "	169 "
Portugal	3 "	31 "	51 "	81 "	111 "	141 "
Portuguese East Africa	5 "	45 "	65 "	95 "	125 "	155 "
Rumania	14 "	108 "	128 "	158 "	188 "	218 "
Russia	9 "	73 "	93 "	123 "	153 "	183 "
Salvador	11 "	87 "	107 "	137 "	167 "	197 "
Scotland	6 "	52 "	72 "	102 "	132 "	162 "
Siam	4 "	38 "	58 "	88 "	118 "	148 "
South Africa	13 "	101 "	121 "	151 "	181 "	211 "
Spain	13 "	101 "	121 "	151 "	181 "	211 "
Sweden	5 "	45 "	65 "	95 "	125 "	155 "
Switzerland	7 "	59 "	79 "	109 "	139 "	169 "
Turkey	5 "	45 "	65 "	95 "	125 "	155 "
Ukraine	10 "	80 "	100 "	130 "	160 "	190 "
Uruguay	11 "	87 "	107 "	137 "	167 "	197 "
Venezuela	10 "	80 "	100 "	130 "	160 "	190 "
Caracas	7 "	59 "	79 "	109 "	139 "	169 "
All other points	8 "	66 "	86 "	116 "	146 "	176 "
Virgin Islands	5 "	45 "	65 "	95 "	125 "	155 "
Wales	4 "	38 "	58 "	88 "	118 "	148 "

What the Insurance Agent Means to You

BY P. D. BETTERLEY

Assistant Treasurer,
Graton & Knight Co., Worcester, Mass.

RECOGNITION of the principle that various types of insurance are needed for maintenance of financial security and credit, may be assumed for the purpose of this article. The possibility of the insurance placed not furnishing the security intended is not as remote as might be supposed. The intent of the Underwriters generally is to indemnify for losses insured against, but there are many contingencies which may affect the settlement of such claims, to the financial detriment of the assured and creditors. Insurance security involves consideration of legal rights, contractual obligations, values, operations, future developments, liability as owner, operator or employer. Consequently someone in the business organization must assume considerable responsibility, and be diligent in the application of such insurance as has been procured.

While some insurance may be bought direct from the Underwriters most of it comes through Brokers or Agents, and it is exceedingly important that these agency connections be of a character which will furnish the assured the assistance needed. Since the Broker is the agent of the assured, he does not ordinarily bind the Insurance Company, neither do the acts of a direct Agent always become the legal obligation of the insurers. For these reasons the

agency should always be selected for its dependability, progressiveness, sufficient to keep pace with frequent changes in insurance procedure, and co-operative concern enough to look after your interests as though they were its own.

If the brokerage concern has among its principals at least one representative of the older insurance school, who knows through long experience the many crooks and turns of the insurance contract as well as its main legal aspects, there will be valuable assistance obtainable for the assured who can hardly be expected to master the technicalities. Even if the corporation seeking insurance is fortunate enough to have in its own organization a man familiar with the fundamental principles of insurance, it would be detrimental to its own interests to try to keep pace with underwriting, rate making and other purely Insurance Company matters.

Fortunate indeed is the seeker of insurance protection who finds in the same insurance brokerage house with the policy expert, a man who has had experience as an insurance field engi-

neer or inspector, for a man of this type may prove a great help in determining the most safe method of construction, alterations, control of hazards and maintenance. It is not wise to leave entire responsibility of such matters to the insuring agency, because it can hardly be expected that one selling insurance as a business, would know all the requirements of its many clients. Conditions are changing constantly and the buyer of insurance must continually study conditions and see that his insurance protection is keeping pace with those changes. It is co-operative work between the buyer and seller that counts.

The buyer of insurance should anticipate his needs, but if he must make urgent arrangements, he will find a stable agency connection of great value. If there is doubtful legal status, the connections of long standing will result in more favorable outcome for the assured.

The ultimate test will be made at the time of a loss—it is then that judgment is apt to be distorted on both sides, and a good agent or broker stands as an intermediary between the two. He should not show partiality, but he does occupy a position of authoritative adviser, and can bring about a legitimate settlement with maximum satisfaction.

The Theme Song of the Convention



"Quit Singing the Blues"



(To the tune of the "Maine Stein Song")

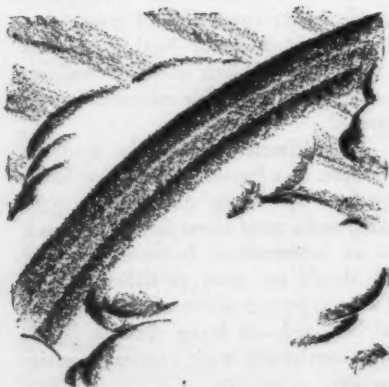
Let's sing-a song of hap-pi-ness
Shout till the raf-ters ring
Sing-a song of pros-per-ity
Let every loyal mem-ber sing
Smile—believe that times are good
And we'll make bad days—good days
Hap-piness is all that mat-ters
So keep it in your heart al-ways

Here's a toast—to the world
Getting better and better in every way
Here's a Thanks—to our God
For giving us happiness every day
For our homes—and our work
And all the good things that we have in store
For our State—and our Land
May we prosper as ever before.

We're the men of in-dus-try
Thir-ty thousand strong
We can build our pros-per-ity
By cheering up when things go wrong
Pas-sing clouds conceal the sun
But storms bring rain-bow hues
Show'rs are blessings good for everyone
So "Quit a-singing 'bout the blues".

■ ■ ■

This song was written and adapted by Bob Sweeney, official pep master of the convention. This song should become the theme song of every credit and business executive in the country.



CREDIT MONTHLY

All Aboard

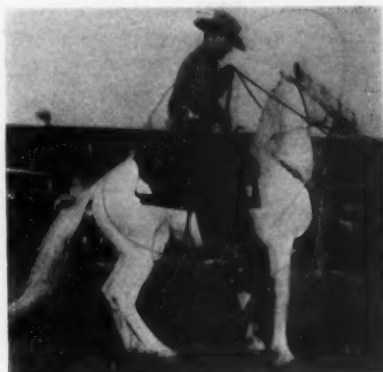
The Convention Limited

THE Thirty-fifth Convention of the National Association of Credit Men, held in Dallas, Texas, from May 12 to 16 inclusive, can be compared to one of this country's great continental limited trains. Hereafter the convention will be designated as the Convention Limited, and the five days of convention activities will be the trip of the Convention Limited through the great credit and economic congress gathered in Dallas, Texas.

The Twentieth Century Limited, the Broadway Limited and the Overland Limited, as well as other well known trans-continental trains, are in the depot, ready to start exactly on the minute of schedule. The Convention Limited, under Conductors Balestier and Dysart, was on schedule to the minute. Throughout the entire journey of the Convention Limited all activities moved with the precision of clockwork. Bob Sweeney opened the Monday Session at one thirty with a pep period that struck a keynote of enthusiasm, good fellowship and optimism which prevailed throughout the journey of the Convention Limited. Dr. Miller closed the opening session with his address on "Constructive Credit—the Basis of American Commercial and Industrial Supremacy." Dr. Miller etched indelibly in the mind of every delegate the paramount significance of credit as the basis of future progress and prosperity for American business. His address was not only the keynote of the convention but is rapidly becoming the guiding motive of all credit and financial executives in this country.

The Convention Limited moved through its Monday night entertainment—the President's Reception at the Dallas Country Club—with zest and animation. Bentley Young, Grand Master of Entertainment, staged an incomparable show that even the downpour of rain could not dampen. After the Monday night introduction to entertainment the passengers on the Convention Limited expressed their belief that the coming four days would unfold one of the most entertaining conventions known to convention dele-

A TRIP THROUGH THE N.A.C.M. CONVENTION AT DALLAS



One of the sights from the Convention Limited—Captain Hickman, famous Texas Ranger, at Fort Worth Day.

gates. And their most optimistic expressions were exceeded by actualities. Through the torrents of rain on Monday night, Transportation Master King Duggan marshalled his fleet of courtesy cars which bore the delegates on their side trip to the Dallas Country Club. It was rumored at the close of the convention that one of the largest companies in America had approached King Duggan with an offer to become National Transportation Manager.

What the Delegates Said

Instead of covering the journey of the Convention Limited day by day it may be better to give comments of the passengers, which were heard during the trip and at its conclusion. Without revealing the identity of those who made the comments, their words are given almost exactly as they were said. These expressions probably cover most of the experiences of the passengers on the fast-moving, always-on-schedule Convention Limited.

"The Friendship Hut on the Mezzanine was one of the best innovations

I have ever seen. Its opening was colorful, and as a place to make appointments and meet one's friends it could not be beaten. I hope this will become a regular feature at all conventions."

"The Reception of Delegates was a feature in itself. Texas hospitality made everyone comfortable and happy. Frank H. Kidd, who headed the reception of delegates, deserves to be placed on the roll of honor for his fine job. And every Dallas man and woman that wore a reception badge seemed to have no other object in view than to make us feel more at home than we feel when we are at home."

"He signs his name E. F. Anderson—but how can any one ever call him anything but Andy? We couldn't always see him—as he sat behind closed doors managing a hundred intricate affairs—but we could feel him and his genial personality. No wonder the Dallas Association is always on the up-and-up. He made sure that every little detail was just right to insure an enjoyable journey for the Convention Limited."

"The general program was exceptionally high in calibre throughout. That unofficial mayor from West Texas certainly turned the convention on end with his talk on "Out Where the West Is At". And Dan Moody—no wonder Texas is never moody with Moody around. We all knew Texas a lot better after hearing him talk. I understand that Joseph Leopold, Regional Director for the Chamber of Commerce, was stuck in the mud just an hour or two before he was scheduled to give his talk on "How Big Is Your Business Picture?" His powerful talk certainly told business men how to pull themselves out of the mud of depression. Nathan Adams, President of the First National Bank in Dallas, gave the delegates plenty to think about when he talked to them on "Why Place the

(Continued on page 46)

SUMMARY OF BUSINESS CONDITIONS AND PROSPECTS

Convention of National Association of Credit Men

Dallas, Texas, May 15, 1930

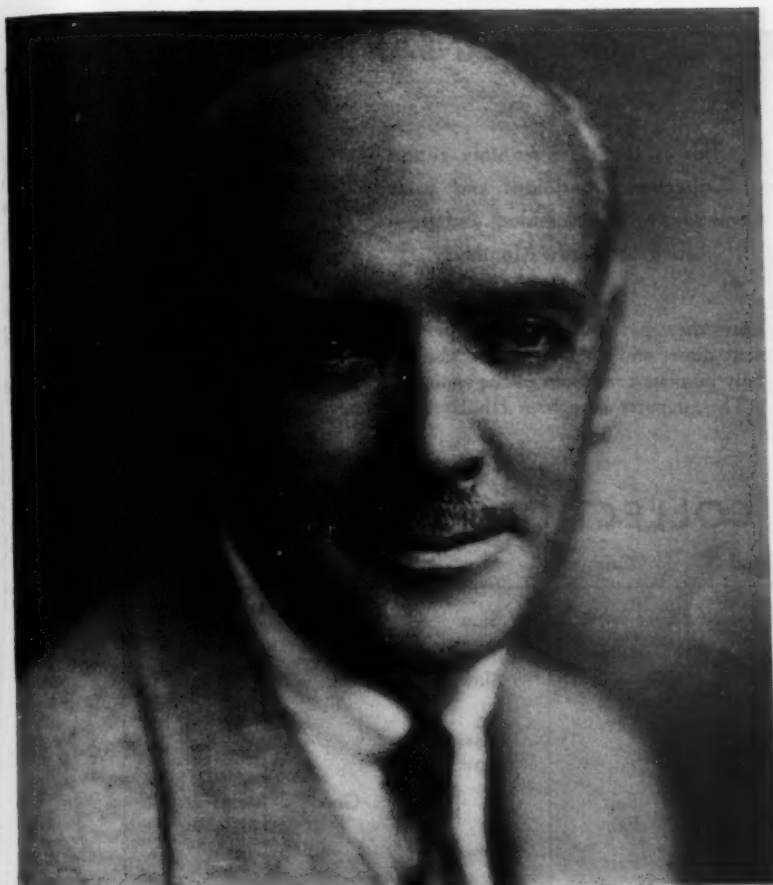
Reported by Dr. Frank A. Fall, Director of Education and Research

Trade Group	No. Reporting	% Better No Change Worse	April, 1930, compared with March, 1930		April, 1930, compared with April, 1929		What are your prospects for Business in next	
			Collections	Sales in Dollars	Collections	Sales in Dollars	3 months	in next 6 months
1. Automotive	22	Better No Change Worse	59 23 18	50 23 27	18 41 41	32 14 54	68 32 0	91 9 0
2. Clothing and Drygoods	28	Better No Change Worse	53 36 11	57 22 21	25 29 46	36 11 53	72 25 3	72 25 3
3. Confectioners	15	Better No Change Worse	60 20 20	33 20 47	20 20 60	26 26 48	20 67 13	33 67 0
4. Drugs, Chemicals and Allied Lines	14	Better No Change Worse	50 29 21	36 21 43	50 21 29	64 7 29	57 36 7	72 21 7
5. Electrical and Radio	18	Better No Change Worse	44 28 28	45 22 23	39 22 39	17 22 61	56 39 5	72 28 0
6. Fine Paper	3	Better No Change Worse	100 0 0	67 0 33	0 67 33	0 33 67	0 0 100	67 0 33
7. Food Products, Manufacturers	30	Better No Change Worse	60 27 13	60 60 20	27 43 30	30 37 33	57 37 6	70 23 7
8. Food Products, Wholesalers and Jobbers	15	Better No Change Worse	27 47 26	67 7 26	20 53 27	60 0 40	60 40 0	67 33 0
9. Footwear	7	Better No Change Worse	57 43 0	86 0 14	0 57 43	29 14 57	43 57 0	86 14 0
10. Furniture	5	Better No Change Worse	20 80 0	60 20 20	0 40 60	0 20 80	60 40 0	100 0 0
11. Hardware	14	Better No Change Worse	64 29 7	71 0 29	14 29 57	14 7 79	64 14 22	93 0 7
12. Iron and Steel	12	Better No Change Worse	58 25 17	42 25 33	17 33 50	17 17 66	42 50 8	75 25 0
13. Jewelry	5	Better No Change Worse	0 20 80	60 0 40	0 40 60	20 0 80	40 60 0	60 40 0
14. Millinery and Ladies' Ready-to-wear	10	Better No Change Worse	100 0 0	70 0 30	50 30 20	70 10 20	10 70 30	60 30 10
15. Newspapers	9	Better No Change Worse	67 0 33	56 11 33	22 11 67	11 33 56	56 33 11	78 11 11
16. Paint, Oil, Varnish and Wall Paper	10	Better No Change Worse	60 30 10	80 20 0	0 30 70	40 30 30	80 10 10	90 10 0
17. Petroleum	23	Better No Change Worse	61 26 13	70 17 13	26 30 44	48 17 35	74 22 4	79 17 4
18. Plumbing and Heating	5 (Total 245)	Better No Change Worse	40 40 20	60 0 40	0 20 80	0 20 80	80 20 0	100 0 0
Average for All Groups		Better No Change Worse	54 28 18	60 13 27	18 34 48	28 18 54	52 36 12	75 20 5

N. A. C. M. President

■ WILLIAM FRASER ■

And
Vice Presidents



William Fraser of J. P. Stevens & Co., Inc., was elected by the N. A. C. M. as its president for the year 1930-1931. This high office is filled by a man who has been an active member of the N. A. C. M. for many years and has served for the past two years as a vice-president of the Association.

William Fraser was born in New York City in 1880. After attending grammar school, he studied for a year in the College of the City of New York. Night courses resulted later in his passing the New York State C. P. A. examination.

After three years as a junior clerk with Faulkner, Page & Co., he became associated with J. P. Stevens & Co. in 1899. He succeeded to the cashier's position, and subsequently took over the responsibility of the Credit Department. He became a partner of J. P. Stevens & Co. in 1918, and was elected Treasurer when the concern was incorporated in 1924.

Active in the work of various committees, Mr. Fraser co-operated with the late Paul Hunter of L. Erstein & Bro., Inc., in starting the Adjustment Bureau of the New York Credit Men's Association. He was president of that Association from 1926 to 1927. He is always interested in helping worthy debtors and prosecuting relentlessly any fraudulent debtor.

He has been an outstanding figure in the Credit Protection Fund Drives. In the Second Drive, he has been chairman of the Organization Committee of the National Executive Com-

mittee and chairman for the New York District.

He is associated with many fraternal organizations and clubs in New York.

E. Don Ross

E. Don Ross, Irwin-Hodson Company, Portland, Oregon, begins his third term as Vice-President. He was a national director from 1924-1927, and has been an active member of many important committees. He is a leader of the Portland Association and has been actively connected with the Credit Protection Fund Drives.

H. H. Heimann

H. H. Heimann, Kawneer Co., Niles, Michigan, who has served as a Vice-President for the past year was re-elected for another term. He was a national director from 1926-1928. He is an active member of the South Bend, Indiana Association and is especially interested in the Credit Interchange movement.

F. S. Hughes

Frank S. Hughes, Credit Manager of the Federal Reserve Bank of Boston, the newly elected Vice-President, has a long record of service in the N. A. C. M. He was elected a director in 1928 and served two years of his term. He has been chairman for the Boston district in the Second Credit Protection Fund Drive, and a member of the National Executive Committee of the Drive.



E. DON ROSS



H. H. HEIMANN



F. S. HUGHES

Nation-Wide Collection and Sales Conditions

WHAT THEY ARE AT PRESENT THE OUTLOOK FOR THE NEAR FUTURE

CREDIT MONTHLY offers its third monthly survey of Collections and Sales Conditions. This survey is based upon reports from cities throughout the country that are trade centers for their surrounding areas. The reports are the results of the daily experience of the leading wholesaling and manufacturing concerns operating from these trading centers. The two questions "Are people buying?" and

■ This is the third monthly report of Collection Conditions and Sales Conditions to be assembled and published by Credit Monthly.

"Are they paying?", are perhaps the most direct and immediate reflection of daily business conditions in the country. These reports have been tabulated so

that you may see at a glance how conditions are reported in various cities in each State. You may also see at a glance what cities report a condition of "Good, Fair and Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to CREDIT MONTHLY. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

COLLECTIONS

SALES

State	City	Good	Fair	Slow	Good	Fair	Slow
Arizona	Phoenix			Slow			Slow
Arkansas	Fort Smith Little Rock		Fair	Slow		Fair Fair	
California	Oakland San Diego San Francisco		Fair	Slow Slow		Fair Fair Fair	
Colorado	Denver Pueblo		Fair Fair		Good	Fair	
Connecticut	Waterbury		Fair				Slow
Florida	Miami Tampa	Good	Fair		Good	Fair	
Idaho	Boise		Fair			Fair	
Illinois	Decatur Peoria Quincy Rockford		Fair	Slow Slow Slow	Good	Fair Fair Fair	Slow
Indiana	Evansville Fort Wayne Indianapolis		Fair	Slow Slow		Fair	Slow Slow
Iowa	Burlington Davenport Des Moines Ottumwa Sioux City Waterloo	Good Good Good Good	Fair	Slow	Good Good	Fair	Slow
Kentucky	Lexington		Fair			Fair	
Louisiana	New Orleans Shreveport		Fair	Slow		Fair	Slow
Maryland	Baltimore		Fair			Fair	
Massachusetts	Boston Springfield Worcester		Fair Fair	Slow		Fair	Slow Slow

CREDIT MONTHLY

COLLECTIONS SALES

State	City	Good	Fair	Slow	Good	Fair	Slow
Michigan	Flint			Slow			Slow
	Jackson			Slow		Fair	
	Saginaw			Slow			Slow
Minnesota	Duluth			Slow			Slow
	Minneapolis			Slow		Fair	
	St. Paul		Fair			Fair	
Missouri	Kansas City			Slow		Fair	
	St. Joseph			Slow			Slow
Montana	Billings		Fair			Fair	
	Great Falls			Slow			
	Helena			Slow			Slow
Nebraska	Lincoln	Good				Fair	
	Omaha		Fair			Fair	
New Jersey	Newark			Slow			Slow
New York	Albany		Fair			Fair	
	Buffalo			Slow		Fair	
	New York City			Slow			Slow
	Rochester		Fair			Fair	
	Syracuse		Fair			Fair	
	Utica		Fair			Fair	
North Carolina	Charlotte		Fair			Fair	
	Greensboro		Fair			Fair	
North Dakota	Grand Forks		Fair			Fair	
Ohio	Cincinnati		Fair			Fair	
	Cleveland		Fair			Fair	
	Columbus		Fair				Slow
	Youngstown		Fair			Fair	
Oklahoma	Oklahoma City			Slow			Slow
Pennsylvania	Allentown			Slow			Slow
	Altoona			Slow			Slow
	Johnstown			Slow			Slow
	Philadelphia		Fair			Fair	
	Reading			Slow		Fair	
	Scranton			Slow			Slow
	Wilkes-Barre			Slow		Fair	
Tennessee	Chattanooga			Slow			Slow
	Knoxville			Slow		Fair	
	Memphis			Slow			Slow
Texas	Dallas		Fair			Fair	
	Fort Worth		Fair				Slow
	Waco		Fair			Fair	
Utah	Salt Lake City		Fair			Fair	
Virginia	Lynchburg		Fair				Slow
	Norfolk		Fair			Fair	
	Richmond		Fair			Fair	
	Roanoke		Fair				Slow
Washington	Seattle	Good			Good		
	Tacoma		Fair			Fair	
	Spokane		Fair			Fair	
West Virginia	Bluefield			Slow		Fair	
	Charleston			Slow		Fair	
	Clarksburg			Slow		Fair	
	Parkersburg			Slow	Good		
	Williamson		Fair			Fair	
Wisconsin	Fond du Lac			Slow		Fair	
	Green Bay		Fair		Good		
	Milwaukee		Fair			Fair	

See next page for Comments on Collections and Sales

■ ■ COMMENTS ON COLLECTIONS AND SALES CONDITIONS ■ ■

The June CREDIT MONTHLY survey of Collections and Sales covers eighty-nine trading centers which show many changes since the May survey. Both Collections and sales in Phoenix, Arizona have dropped from "Fair" to "Slow" as compared with their report of April. Collections in Little Rock, Arkansas have also dropped, their report for May being "Slow". San Francisco's collections have fallen off and they show "Fair" for May but their sales have improved, going from "Slow" to "Fair". In Denver, Colorado, the sales are improving and are reported as being "Good". The outlook is very good for a strong last half of the year. In Boise, Idaho the collections have gone from "Slow" to "Fair". Decatur, Illinois reports that Sales are good and that some lines are excellent, particularly the garment industry. In Peoria, Illinois the collections and sales show an improvement, both being reported as "Fair". The employment situation in Rockford, Illinois is bad and this month's collections are "Slow".

In Evansville, Indiana collections and sales are reported as "Fair" which is an improvement over last month's report. Sales in Fort Wayne and Indianapolis have fallen off and are reported as "Slow". In Burlington, Iowa, sales have fallen off from "Fair" to "Slow". Collections in Des Moines, Iowa have climbed from "Slow" to "Fair". The collections are good in food products lines but poor in dry goods and footwear lines. The sales have increased from "Slow" to "Good". Waterloo, Iowa reports an improvement in last month's collections from "Fair" to "Good" but a decrease from "Good" to "Fair" in sales. The Sales are uniformly good excepting the automotive lines which are below average. In New Orleans, Louisiana, collections show an improvement over last month's report, going from "Slow" to "Fair". Reports from Boston state that Collections have increased showing "Fair", as compared with last month's report of "Slow". Collections in this section seem to be on a par with last year which is a favorable report.

Jackson, Michigan, which reported "Slow" for sales in May, reports "Fair" for this month's sales. Collections in Saginaw, Michigan have dropped from "Fair" to "Slow". In Minneapolis, Minnesota, collections have fallen from last month's report of "Fair" to "Slow". Collections and sales in Billings, Montana, are reported as "Fair" which is an

improvement over their report of "Slow" for April. In Lincoln, Nebraska, collections have improved considerably having climbed from "Fair" to "Good".

Sales in Albany, New York have fallen off from "Good" to "Slow". In Grand Forks, North Dakota, both the collections and sales show an improvement, going from April's report of "Slow", to "Fair". In Cincinnati, Ohio, there has been an improvement in collections from "Slow" to "Fair", as compared with their report of April. Sales in Youngstown, Ohio have improved from "Slow" to "Fair" but they are not as good as for this same period last year. However, they have improved since the first of this year. In Charlotte, North Carolina the collections have increased to "Fair" making an improvement over last month's report of "Slow". The Secretary of the Charlotte Association says that the curtailment of industrial plants is checking money at present. Sales in this section have dropped from "Good" to "Fair". Allentown, Pennsylvania reports a decrease in sales, dropping from a report of "Fair" in April, to "Slow". The change of seasons has not made the noticeable effect expected earlier in the year. In Reading, Pennsylvania both collections and sales have fallen off, the collections going from "Fair" to "Slow" and sales from "Good" to "Fair".

The drop in collections from "Fair" to "Slow" in Knoxville, Tennessee, is accounted for by the off strawberry season. Collections in Fort Worth have improved and are reported as "Fair" for this month over last month's report of "Slow". Collections are better, as a whole, than they were for the first three months of the year. In Waco, Texas both collections and sales have increased to "Fair". In Salt Lake City the collections have been reported as "Fair" which is an improvement over last month's report. Collections in this section are getting better slowly and in neighboring sections it might be said that collections are improving rapidly.

Sales in Roanoke, Virginia have decreased, going from "Fair" to "Slow". Bluefield and Charleston, West Virginia report collections dropping from "Fair" to "Slow". Parkersburg, West Virginia shows an increase in sales over April's report of "Fair" to "Good". In Williamson, West Virginia, collections have gone from "Slow" to "Fair".

In Fond du lac, Wisconsin, collec-

tions have fallen off, having been reported as "Slow" whereas the report for May was "Fair". Sales in Green Bay have increased from "Fair" to "Good". Milwaukee's collections show a decrease, going from "Good" to "Fair".

Summaries by States

CALIFORNIA: Conditions in Oakland are improving. Sales show an increase over previous month of 1930.

COLORADO: Collections in Colorado seem to be gradually picking up although they are still rather slow. There is also a gradual increase in sales.

CONNECTICUT: Collections and sales are very slow and conditions will probably not change materially until the demand for brass products improves throughout the country.

FLORIDA: Conditions in Florida are "Good", considering the season of the year and in comparison with last year.

ILLINOIS: Trade is extremely dull and collections are very poor in Western Illinois while both collections and sales seem to be improving in Central Illinois. Employment conditions very poor in Rockford, Illinois.

INDIANA: Business seems to be on a downward trend in Northern Indiana. Sales in Indianapolis are "Slow" but show a tendency to increase in most lines.

IOWA: Collections are improving in Northwest Iowa as compared with sales on percentage basis for the first quarter of the year. Crop conditions are excellent although warm weather is very much needed. Sales are behind as compared with first quarter of 1929. Hand to mouth buying has slowed up sales, but conditions are such that this will be overcome in the latter part of the year.

LOUISIANA: Collections and sales are reported as very "Slow" in Shreveport. No immediate relief is expected. The situation is further aggravated by heavy rains and floods. In this whole section the lowlands are covered by water. Railroads and highways as well as crops are being and have been badly damaged. Merchants are doing very little business. Most of them owe debts they cannot pay now, and therefore, purchases are being confined to just what is necessary.

MASSACHUSETTS: Collections are improving. Wholesalers are showing an inclination to run with the retailer and not press for the last cent. Sales

(Continued on page 47)

Burroughs. *Electric* Portable



Adding-subtracting machine illustrated, \$175 delivered U. S. A.; \$205 in Canada. Other electrics as low as \$130; hand models as low as \$80

Fast . . . Compact . . . Economical

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Light in weight and easy to carry from desk to desk

ECONOMICAL . . . because the greater speed and ease of electrical operation minimize operator fatigue, and result in increased production.

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JUNE, 1930

When you purchase a Burroughs please mention Credit Monthly



INSURANCE DIGEST

As the credit executive is in closer contact with the insurance field than any other business man excepting the insurance man himself, the Insurance Digest has been inaugurated to fill the need of the credit fraternity for insurance news and information.

Insurance Indispensable to Credit

Mr. Neal Bassett, President of the Fireman's Fund Insurance Company of Newark, recently said: "It is not too much to say that the credit of the financial world is based upon insurance. The farmer and other producers cannot obtain credit without insurance; the retailer cannot obtain credit without insurance; the wholesaler cannot obtain credit without insurance; the manufacturer cannot obtain credit without insurance; and in fact no owner of produced property, in contradistinction to (simply) land owner can obtain credit based upon property without insurance."

Insurance is the bulwark of the nation's credit. A knowledge of its economic significances as well as its technicalities is imperative to the successful credit executive.

Dangers of Policy Substitution

A prominent insurance executive recently pointed out the dangers of policy substitution, emphasizing the fact that many investment solicitors and counselors advise the policy holder to withdraw from the policies which he holds and take out cheaper policies, placing the surplus money in securities that will apparently bring in a much greater return. It is often suggested that the interest-income from these investments will alone pay the premiums on new insurance. Generally, however, this new insurance is lower in price and is a smaller amount.

This is a danger which the credit executive will be on the look-out for, because if his debtor merchant makes a substitution in his insurance coverage for policies of lower amount and premiums, his credit risk will increase accordingly.

The Credit Men and Fire Prevention By Franklin H. Wentworth, Managing Director, National Fire Protection Association

It is very likely that there are many members of the National Association of Credit Men who do not realize the intimate part that credit executives have played in the development of fire prevention education and activities.

Twenty years ago the National Fire Protection Association began its work of public education. Before that it was almost wholly an engineering or standard-making body. The National Association of Credit Men was a member of the N. F. P. A. but had never been asked to do anything. When our educational activities began the credit men were in a position to render a very special and important service. Up to that time it was the general public notion that fire protection and fire insurance were the same thing. The economic significance of the fire waste to business generally had not been emphasized or appreciated and great difficulty was at

first encountered in securing any kind of attention to the facts of its impoverishing influence.

The National Association of Credit Men was identified with the first organized effort to interest the public generally in fire protection. In 1910 Mr. Charles E. Meek, then the executive head of the N. A. C. M. organized a tour for a fire prevention speaker before local credit men's associations and before the spring of 1911 fire prevention meetings had been held by practically every local credit men's association in the country with much attendant newspaper publicity. This campaign tied in the credit men very intimately with the activities of the National Fire Protection Association and each local credit men's association became the point of contact for fire prevention effort in the state or city in which it was located.

While the speaking tour of 1910-1911 attracted national attention the constant subsequent work of the credit men has been a local or individual contribution made without much publicity. The contributions of time and service have been made on different subjects at different times, but the activity of the credit men has been continuous in some form since they first rallied to the help of our cause in 1910. During the last twenty years the office of fire marshal has been created in a great many of the states which previously had no such official and had in consequence been a

refuge for fire-bugs from other states. In all our campaigns for the establishment of this office the local credit men have been conspicuous helpers.

In the development of our field engineering service, which contemplates the creation in every city of a fire prevention committee, usually under the auspices of the Chamber of Commerce, we have never failed to secure the appointment of a prominent and influential credit man as a member of this committee. In our campaign to establish fire prevention day, which has now developed into fire prevention week, we have had the steady and enthusiastic support of the local credit men throughout the country; and in the campaign in which we are now engaged to standardize the arson laws of the country, we have received constant help, not only from the national office of the credit men, but from the local credit executives who are called upon to assist.

Our model arson law has, during the past three years, been adopted in twenty-seven of the states, a remarkable accomplishment made possible only by the cooperation of our influential organization members having local branches or chapters. The old statutes aimed at the crime of arson covered only the man who "burns the property of another". Our model law extends the offense of arson with its penalties to the man who burns his own property. Previously, when such burning did not constitute arson, the culprit could only be proceeded against as a defrauder of fire insurance companies.

In twenty years the country has been slowly coming to understand the economic significance of the fire waste. The task of public awakening would have been doubly hard had the credit men not come to our aid at the start with its splendid organization throughout the country. It cooperated in giving the first impulse to our educational work and incidentally made friends for our cause in every state and every large city. Through these contacts our educational activities have continued to reach the public. There is much yet to be done and in the work now projected we know that the credit executives will continue to play their originally important and influential part.

Blanket Fidelity and Position Bonds

Losses last year to business and other organizations through speculations and frauds committed by employees are estimated by the Fidelity & Casualty

Company to have reached nearly a quarter of a billion dollars.

The Company finds that organizations, which have suffered losses because of insufficient surety protection, are rapidly taking on the new blanket fidelity and position bonds.

As described by an officer of the Fidelity and Casualty Company, the new coverages besides insuring all employees instead of merely a selected list, also give protection against a greater variety of acts, since they include larceny, theft, forgery, misappropriation, wrongful abstraction, wilful misapplication or other dishonest acts, whether committed directly or in collusion with outsiders.

In the past, employers have had to guess at the amount of coverage which would afford them protection and also had to select the workers who were "hazards". The uncertainty of this method resulted in big losses to many banking institutions and other organizations handling large sums of money or valuable securities.

The present comprehensive policies safeguard an employer against the speculations of any member of his force, and the amount of coverage may run as high as a million dollars or more, with the cost per thousand dollars of insurance diminishing as the amount of bond increases.

"Use & Occupancy" Insurance

The amount of "Business Interruption Insurance" or "Use & Occupancy Insurance" carried by business concerns is steadily increasing, according to the Continental Insurance Company of New York, which has been making a special study of this form of earnings protection. The Company finds that an unusually large number of corporations are now safeguarded by this form of coverage against loss of overhead expenses and net profits in the event of fire, tornado, or other disasters which would cause a cessation of plant operations.

William F. Dooley, vice-president of the Continental Company, says that this class of insurance which protects income is a development of modern business. Among the large corporations of the country which have protected themselves by means of this insurance are the automobile manufacturers, who insure not only their own operations, but also protect themselves against losses which they might sustain through the inability of a company supplying them with parts to make de-

liveries due to an interruption of operations by fire or other disaster.

Several large magazines have purchased "Use and Occupancy Insurance" to reimburse them for their overhead expenses in case their mailing of a completed issue is interrupted by fire or other contingency.

"Use and Occupancy Insurance" covers earnings and not fixed assets, and provides the funds to keep working forces intact during periods of enforced idleness.

"Little Accident"

Whenever a prospect says he never has accidents tell him about Terry Sullivan of Templeton, Calif. While Terry was perched on a ladder painting the eaves of a house the ladder fell. He clung to the rain gutter and when the gutter gave away slowly seized a limb of a nearby tree. The limb proved dry and broke, plunging Terry twelve feet to the ground. Having had time to regain his balance before the fall he was unhurt. However, a gallon paint can which had been fastened to the gutter came down a second later and struck Terry on the head. He was stunned and staggered against a garden wall, upsetting a heavy flower pot. This fell upon his leg, breaking his ankle. Overcome by the pain, Terry fainted, and as he collapsed cut a deep gash in his forehead by hitting the steel hooks of the fallen ladder.—*Insurance Field*.

Adding to Automobile Insurance Coverages

The trend in automobile underwriting is to broaden the coverages included in policies. To the five major hazards against which insurance is written, i. e., fire, theft, collision, property damage and public liability, numerous other risks are being added.

The America Fire companies and the Fidelity & Casualty branch of the same organization have brought out the "Twelve-in-One" combined policy which besides insuring an automobile owner against the five major hazards also protects him against windstorm, earthquake, hail, explosion and water damage (flood excluded), and damage to plate glass in a car.

New coverages under consideration by insurance companies are damage by flood and damage by falling aircraft policies.

Banking Joins in The Spirit of Progress

(Continued from page 11)

riety of other subjects which in the light of the developments of recent years have come to be recognized as bearing importantly upon the success of banking.

How far these changes in banking organization and methods and in the position of the bank in the business picture will be carried remains to be seen. Many of the new banking theories which spring up from time to time will go. This invariably is true of a

certain percentage of new theories in any department of human activity. It seems reasonable to expect that the broadening tendency in the banking function, so noticeable at the present time, will continue, and that more and more the bank will get away from the straight-laced professional attitude and take on characteristics of general business.

Current indications suggest that the present marked tendency of business to form larger units will find corresponding expression in banking, but where these tendencies will end, or whether there is to be an end to them is a mat-

ter upon which it would be extremely unsafe to prophesy.

Upon one point, however, we may be definitely assured. Whatever comes in the nature of banking change will come primarily because business wishes it, or because the needs of business require it. The service consideration must invariably control. If the existence of the bank is to find its chief justification in the fact of its service to business, then it seems reasonable to assume that business consciously or otherwise, should exert a strong influence in determining the quality of banking service which is to be provided.

Within the bank itself many of the changes so noticeable at present will continue beyond doubt. Research will go on and increasingly. Its position in banking as in business may be regarded as fundamental. The movement towards the elimination of economic waste will lose none of its force. Unnecessary steps in the various banking processes will be reduced to a minimum. Equipment more and more will mold itself to the requirements of the new economy and an increasing efficiency, which are being demanded.

In general the scientific spirit will nowhere be given freer play than in the organization and methods of the modern commercial bank.

Instalment Selling

(Continued from page 16)

selling. It is only one (and a small one) of the multitude of factors influencing prosperity and depression. Instalment selling had had its largest growth in the automobile field by 1923 and after 1923 the percentage of cars sold on instalments declined, as well as the percentage of all retail instalment sales to our entire retail sales.

In conclusion it can be stated that instalment selling is not the cause of prosperity nor the cause of depression. It is only a minor part of our marketing mechanism whose influence on prosperity, depression, credit, business, and consumers has been enormously and tremendously exaggerated by its optimistic advocates and its pessimistic opponents.

Instalment selling as a method of financing sales is inherently neither good nor bad. It is just a tool to use—or to abuse. We shall rid it of its abuses and utilize it to promote the happiness and prosperity of this country, because our credit men will learn to handle it scientifically just like the older forms of credit they have learned so well to manage.

Ask Those Who Use It

IT is easy to determine the financial worth of a credit applicant. But how can anyone be sure that disaster will not overtake him?

CREDIT INSURANCE LONDON GUARANTEE & ACCIDENT COMPANY LTD.

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Oliver J. Matthews, Mgr. Credit Insurance Dept.

J. M. Haines, United States Manager

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CREDIT MONTHLY

From the Mental Mint

The quickest way to get out of a problem is to get into it.

Aspiration comes to expiration without perspiration.

Applause and applesauce sound almost alike when pronounced. And they are even more synonymous in meaning than in pronunciation.

The man who can take commands deserves to give them.

If you can carry the "tune" in opportunity you will quickly gather a chorus to support your solo in the symphony of success.

The simplest things often teach the greatest lessons. Consider the lowly tack—it has a level head and sticks to its point.

Take pains and you miss pains.

Do others and they'll soon start doing you.

Discuss things before you cuss them.

The man who has *stuck* is he who had *pluck*—not *luck*.

The man who always gets his own way never gets out of his own way.

Be a clock watcher only when you go to bed and when you get up.

Precious mettle brings precious metal.

Poison ivy is not one-tenth as bad as poison envy.

Try is the biggest part of *triumph*.

Most people hang themselves with the rope of too much hope.

How can you expect to make headway without using your head?

The address where you live is not half as important as the address you use in talking to a man.

And dress and address are eighty-five per cent. of the battle of selling your man.

... C. H. M.

A New Wholesaling Revolution

(Continued from page 18)

ends. With the frozen process making it possible to hold foods over in time of overproduction for use in time of scarcity, the price curve will be flattened, and all factors will benefit greatly from increased stability. This revolutionary process will probably affect the wholesaler in many important ways and he should certainly keep abreast of developments. A letter addressed to General Foods Corporation, 250 Park Avenue,

New York, will bring descriptive information on the quick-frozen foods process."

I next advanced the theory to Mr. Chester that mergers and consolidations are decreasing the leadership potentiality of the country. "There seems to be a grave danger", I stated, "in the fact that the ratio of the number of leaders to the number of people is decreasing. Before a merger of six companies there were six different organizations for a young man to work-up in and learn every phase of the business, assuming the all-around responsibilities that would develop him into a leader. In



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THE fleet S.S. Europa, new speed queen of the seas, carried two kegs of gold from New York to France in less than five days on her maiden eastward voyage.

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Our many years of experience date back to the time when fore-runners of the Europa made their crossings in 15 days—or more!

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the large unit composed of the six companies he may get more money but his duties will be more specific, more specialized—not allowing him to get the diversified experience that will make him chief-executive timber. Do you think there is a danger of this kind in mergers and consolidations?"

"I had not considered the matter exactly in that light", Mr. Chester answered. "There may in some organizations be such dangers as you have suggested. I can only answer your question from the viewpoint of General Foods Corporation, as I am not closely

enough familiar with other companies to know exactly how this situation would hold in other cases.

"The original Postum Company experienced a seasonal demand and an uneven sales volume throughout the year. We felt that additional products with varied selling seasons would add to sales efficiency by giving a more uniform spread in sales volume. It was also a demonstrated fact that economies would be realized by handling a large line of products through a single sales organization. An increased number of products brought about greater economies in

purchasing, production, accounting, advertising and transportation. The larger organization also made possible a strong, centralized research unit that permitted closer study, analysis and invention in food production, merchandising and in trends in food consumption. These are cited as some of the justifications for the mergers and consolidations that have increased the products of our company from four to eighty in number.

"Turning now to the question you have raised, I am inclined to feel that in our case the leader-potentiality has not been decreased. I also feel that the executive now has a more diversified training than before and that his executive value to the country has increased. It is true, of course, that there can only be one president of the one company where before there was a president for each individual company. However, the official's duties in the company are generally far more important than they were previously in the smaller company. In actual operations each company of the unit still functions virtually the same as before—giving the young man beginning with the company as many individual opportunities for development as he would have had before the combination. In addition, there are the larger values accruing from research, advertising and finance conducted on a large scale.

"To reach the top in the great corporation of today is more difficult than in the smaller units of yesterday. Executive competition is keener. Management and organization principles must be applied on a vastly larger and more challenging scale. In our corporation, and no doubt the same thing holds true in many others, leadership potentiality is at least as great while the training for leadership is more intense, more concentrated and more productive of individual executives with greater capacity and astuteness."

Mr. Chester, in answer to one of my questions, said that although he had entered the Postum Company as Assistant Treasurer, his duties had not specifically included credit responsibilities. He had had credit experience previously, however. I asked Mr. Chester a generalized question on credit and his thoughts on the subject in relation to present day business.

"Credit is a subject that one could talk on for an hour", he replied, "but two points come to my mind at once. Commercial credit is more closely linked with executive management than its generally accredited. The eight hun-

(Continued on page 43)

Credit Losses Increase 21.4%!

\$628,990,633.00—that's the appalling record of 1929 commercial failures for the United States—an increase of 21.4 per cent over 1928!

Even though business is fundamentally sound the depression has not fully spent itself and this terrific loss is an unnecessary waste. Don't you take a chance on contributing to the 1930 losses. Protect your house against them *now*, with

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This efficient, tried-and-proved service will give you complete protection—every hour and every minute—against abnormal, unexpected credit loss, according to the terms of your policy.

Credit managers, right now is a good time to adopt this great service, so that you can go through 1930 serenely, confidently and prosperously.

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CREDIT MONTHLY

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ADVERTISING MANAGER—ONE PARK AVE.—NEW YORK

1. What is Credit Monthly's purpose » » » » » ?

CREDIT MONTHLY's purpose is to serve as a clearing house for ideas, new developments and improvements that are indispensable to credit and financial executives. It serves as a practical aid in the solution of credit and financial problems and in presenting helpful advertising.

2. Does Credit Monthly help its readers in solving their specific problems » » » » » ?

To help its readers CREDIT MONTHLY carries, besides its regular features, nine departments directly applicable to the various credit, business and financial problems met by its readers each day.

3. What class of men read and re-read your pages » » ?

Surveys and permanent records conclusively show that 50% of our readers are presidents, owners, treasurers and secretaries; 39% credit and office managers; 9% miscellaneous and 2% waste—that 75% of concerns whose executive officials read CREDIT MONTHLY each average a gross annual sales of one million dollars and over.

4. Is Credit Monthly read » » » » » ?

Hundreds of unsolicited letters have been received complimenting the most recent issues of CREDIT MONTHLY. The magazine's contributors are of the highest calibre in the country. CREDIT MONTHLY is a definite force in legislative matters and public relations—and is filled with helpful and interestingly presented content.

5. What authority and purchasing power do your readers have » » » » » ?

Because of their positions, they are able to either purchase or recommend the purchase of articles or services pertinent to their business—for example—banking services; accounting; insurance; office equipment; appliances and management; transportation; business expansion; etc.

6. What is your present circulation and what are your plans for your future circulation » » » » » ?

CREDIT MONTHLY, according to its last A B C reports, has a total circulation of 30,409. It is guaranteeing its advertisers an increase of from 10 per cent to 15 per cent in circulation by the first of February 1931.

The Business Library is the window through which you may see the panorama of business progress and development.



Conducted by
Frank A. Fall, Litt. D.
Director of Education and Research
N. A. C. M.

THE BUSINESS LIBRARY

Functions and Services of Trade Groups

TRADE ASSOCIATIONS. Joseph Henry Foth. Ronald Press Co., N. Y. 1930. 358 pp. \$4.50.

From its former estate, that of a defensive alliance, the trade association has developed into a constructive business force, doing important work in the fields of market research, trade extension, quality standardization, legislation, and, most significant of all, self-regulation within the industry.

This treatise by Dr. Foth will find its greatest usefulness, no doubt, in the hands of trade association officers, but its field is by no means limited to them. It will be extremely valuable to association members generally, and in that fact lies a sales prospect which is all that any publisher or author could desire. If ten per cent. of the association members in the country take on this book the publishers will reap a handsome harvest and the author can take his wife, to whom this book is inscribed, to Europe. Or, if he prefers, he can buy a couple of seats for "Green Pastures."

The first two chapters sketch the history and development of trade associations in the United States from 1853 to the present time. Dr. Foth then discusses forms of organization, plans of administration, and legislative activities. Chapters VI and VII deal with self-government in business, covering trade relations committees and trade practice conferences as conducted under the direction of the Federal Trade Commission.

The topics next dealt with are scientific industrial research, standardization and simplification, market research and trade extension. Special chapters are devoted to uniform cost accounting methods, statistical and service activities, and legal aspects of trade associations.

The National Association of Credit Men is given due acknowledgment for its work, particularly in its Interchange Bureaus, its fire insurance and fire prevention activities, and its Credit Protection Department. Dr. Foth is so generous in this respect that we forgive him heartily for calling us (on page 84) the National Credit Men's Association. It is only fair to say in this connection that in the other references the correct title is used.

In view of the Association's membership in and co-operation with the National Fire Waste Council, it is particularly appropriate that the author should stress that activity. Among the N. A. C. M. objectives named by Dr. Foth are the following: "To prevent the sale of policies of unsound insurance companies; to urge and insist

THIS MONTH'S BUSINESS BOOK

STORE MANAGEMENT FOR PROFIT. Willis O. Derby. Harper & Bros., N. Y. 1929. 163 pp. \$5.00.

Credit managers who are looking for "Business Service" material which can be passed along to help the retailer should by all means get acquainted with this book. The explanations, systems and forms presented by Mr. Derby have to do with the men's-wear business, but this is for purposes of illustration only, and the suggestions and recommendations made may be applied or adapted to virtually every line of retail activity.

In the opening chapter, "The Merchant Himself," the author makes this appeal, which might well be framed and hung over the desk of any business executive:

"Study your business, and everything connected with it.

Study your customers, and their buying habits.

Study your merchandise, and your markets of supply.

Study your organization, and its sales methods.

Study your advertising, and ideas of sales promotion.

Study your community, and how you, individually, can be of public service.

Most important of all, *Study yourself!*"

Then follow chapters on finances; turnover; profits through mark-up; mark-downs, lost sales and stock control; stock control in furnishings; unit control; expense control; credit policy; value of concentration; sales promotion; and advertising. The book is concluded with a brief chapter of pertinent generalizations.

In his chapter on credit policy, Mr. Derby says that there is no magic short-cut in collections,—only the "old-fashioned method," which is:

1. Prompt notice of delinquency.
2. A close follow-up.
3. A call by telephone or in person.
4. Courtesy, tact, and above all, persistence.

This book has several advantages from the point of view of use in "Business Service." For an outlay of less than ten dollars three copies can be acquired and circulated from retailer to retailer. This would do no good if the material were highly technical or presented in a didactic form. But Mr. Derby's ideas are fresh and usable, and he expresses them in language that any business man can understand and enjoy. As first aid to the business service program, "Store Management for Profit" will be extremely hard to beat.

upon the proper building laws and ordinances; to spread the gospel of the safety-match; to establish in every state a fire marshal department; to urge local associations to study local fire conditions, and to present the facts to local authorities; to encourage local associations to discuss insurance problems at their meetings; and through addresses, motion pictures, and other means, to carry on the educational campaign on fire prevention and insurance."

Dr. Foth concludes his discussion with this significant statement: "When trade associations recognize their full responsibility, they may become the agency through which industry attains self-government."

The legal status of associations has been clarified. The attitude of the government toward them is favorable. Many associations have been reorganized and revitalized. Under these favorable conditions, it remains for associations to demonstrate the extent of their ability to contribute to the solution of the major problems of industry."

7 H. B. R.

HARVARD BUSINESS REPORTS—VOL. 7. McGraw-Hill Book Co., N. Y. 1930. 590 pp. \$7.50.

The more or less cryptic heading of this review should be, by now, fairly familiar to readers of the CREDIT MONTHLY. To the uninitiated, it may be explained that business cases in this Harvard series are cited, as law cases are, by number. For example, the first case in the present volume is "Weldon Financial Service, 7 H. B. R."

The cases in Volume 7 (Harvard leans to Arabic rather than Roman numerals) deal with general business. They cover a wide range of subjects, including control of the sales force, standardization of machines and machine tools, selection of sales promotion methods, setting up sales quotas, perpetual inventory, changing a line to increase rate of stock-turn, introducing a new product to the household market, and developing brand recognition among consumers.

Cases which have a credit angle are Automobile Finance Corporation (p. 346); Bolstad Company (p. 342); Dalbere Company (p. 303); Latimer Company (p. 370); Longshore Publishing Company (p. 374); McManus Company (p. 328) and Mazur Wholesale Grocery Company (p. 364).

In order to give an idea of the commentaries which follow the various cases,

CREDIT MONTHLY

we will quote that of Professor Nathan Isaacs on the Latimer Company case (pp. 370-373): "Bankruptcy proceedings constitute a legal device inherited from the practice of merchants in medieval Europe and extended and developed by our law so as to meet certain types of modern business problems. In the course of this development, bankruptcy has changed from a procedure applicable to traders only into a procedure of rather general applicability to debtors; from a procedure primarily official into an arrangement primarily for the protection of the honest but involved debtor; from a device occasionally applied to clear away the accumulated debris of business failures to a constant and continuing branch of our law. By reason of the constitutional provision, the Federal government has the optional power to control bankruptcies. The present policy seems to be to exercise this power continuously and thereby give the Federal government a kind of control over business that is not interstate or otherwise within the purview of Federal jurisdiction."

"Like all other legal devices that come to us from the past, bankruptcy must be carefully scrutinized, together with alternative devices, before determining whether it is the best available device in any given business situation. In general, it is desirable where there is any suspicion of fraud on the part of the debtor. It is particularly useful where a preferential payment—not in itself illegal—has been made, for the Bankruptcy Act gives not merely a new procedure but new substantive rights to the body of creditors in such a case. On the other hand, it is an expensive procedure and therefore not likely to prove worth while in very small transactions. It is also a comparatively inflexible procedure, and therefore is hardly desirable where a reorganization or readjustment of some kind is the objective sought rather than that of winding up a business. Quite apart from the legal rights of the creditor in this case, there appeared no genuine advantage in pressing the claim through the bankruptcy court. On the contrary, the hope of further dealings with the customer suggested the course pursued here."

A New Wholesaling Revolution

(Continued from page 40)

dred million dollar bad debt loss for 1929 is commented upon as an evil, but the business fraternity hasn't been credit-minded enough to crystallize their comments into definite activities that will combat this huge waste.

"The credit department, to my way of thinking, is an integral part of any sales plan. A completed sale might be compared to a set of scales exactly balanced—the sales department on one side and the credit department on the other. The sales department moves the goods off the books but in place of the goods on the books is the sale price entered on the books under accounts receivable. Until the goods are paid for the sale is not completed. In many cases the most difficult part of the sale is getting the money. Business executives are becoming more credit conscious than ever before, and I believe that within the next few years the credit department will come to the fore and occupy the important place it rightfully deserves in our business picture."

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912. OF CREDIT MONTHLY, published monthly at New York, N. Y., for April 1, 1930. STATE OF NEW YORK. COUNTY OF NEW YORK, ss.

Before me, a Notary Public in and for the State and county aforesaid, personally appeared Chester H. McCall, who, having been duly sworn according to law, deposes and says that he is the editor and business manager of the CREDIT MONTHLY, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, National Association of Credit Men, 1 Park Avenue, New York City. Editor, Chester H. McCall, 1 Park Avenue, New York City. Business Manager, Chester H. McCall, 1 Park Avenue, New York City.

2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent. or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.) National Association of Credit Men, a non-stock corporation with the following officers: Lawrence Whitty, Ed. V. Price Co., Chicago, President; E. D. Ross, Irwin-Hodson Co., Portland, Ore., Vice-Pres.; H. H. Heilmann, Kawneer Co., Niles, Michigan, Vice-Pres.; William Fraser, J. P. Stevens Co., New York, Vice-Pres.; Stephen E. Miller, One Park Avenue, Executive Manager and Treasurer; E. Paul Phillips, One Park Avenue, Asst. Exec. Mgr.; W. S. Swingle, One Park Avenue, Asst. Treasurer.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent. or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is — (This information is required from daily publications only.)

CHESTER H. McCALL, Editor.

Sworn to and subscribed before me this 28th day of March, 1930.

(Seal) RUTH E. HOCTOR,
Notary Public, Kings County
Clerks No. 60, Reg. No. 157
N. Y. Clerk's No. 612, Reg. No. 0-415
My commission expires March 30, 1930

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INQUIRY BUREAU

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C. M.

Over Sixty-seven Years in Business

The Credit Manager's Horizon

(Continued from page 19)

co-operation with his sales force. Complete understanding engendered by such contact and helpful advice on the part of the credit man will be recognized as a constructive factor in building up sales.

A credit man should also be a balance wheel for his organization. Too often success in making sales is dependent upon meeting or granting unusual terms. Excessive time consistently given and unusual discount privileges granted for the sake of overcoming competition serve to break down the moral fibre of an organization as quickly as does price slashing. The diplomacy used by a credit man in negotiating and insisting on adherence to standard terms is an important factor in the successful operation of a business. The advantage of taking discounts or making payments promptly is obvious where an uninterrupted flow of material into the plant of a customer with limited credit responsibility is essential. Helpful suggestions as to banking relations, reduction of inventory carried, quicker collections and more desirable risks and, in some cases, even a temporary reduction of sales volume to a point more commensurate with the capital employed can often make a more desirable risk and build up a gradually increasing outlet and at the same time preserve and stabilize standard terms and discounts.

Another factor essential to constructive credit work is the part a credit man can play in the matter of speeding up approval of orders. At present one of the biggest factors in successful

competition in any business is delivery. Prices, quality, etc., are known quantities. In these days of low inventory delivery is often the deciding factor in making sales. Close co-operation on the part of the sales force is, therefore, essential—such as advance notice when important or unusually large orders are received or pending, or when a new account is about to be opened. Advice as to the sources of available information on the risk and, if feasible, the suggestion to the buyer to furnish direct to the credit man helpful financial information is of great assistance in the rapid approval of orders. Such co-operation can be engendered by obtaining the confidence of the sales force and by the conviction, developed by constructive co-operation and suggestions on the part of the credit man, that an order is just as important to him as it is to the salesman. Delayed delivery because of avoidable slowness or lack of foresight on the part of the credit man in developing necessary credit information is inexcusable. On the other hand a salesman is his own worst enemy when he fails to give all possible co-operation to the credit man.

An extremely important factor in constructive credit work is the development of relations with and knowledge of the functioning of other departments in an organization. It goes without saying that a Credit Department should be organized to the point of greatest possible efficiency in respect to its functioning rapidly and accurately. Important also is the necessity of knowing what other organization factors are going to affect its decisions. Contacts, therefore, should be made and developed

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within the organization and confidence instilled so that necessary information will be quickly and willingly given when requested.

While there are many other factors within and without an organization of any size which could be touched upon pertaining to constructive credit work, it seems to me that of these one of the most important is the relations of a credit man with other credit men in other organizations carrying on the same type of business. The factor of competition is without the scope of a credit man insofar as purely credit work is concerned. There is every reason why the confidence of other credit men should be engendered, views exchanged freely and accurate, reliable information on mutual customers given. To work closely with one another is to insure your company, in many cases, against sudden and severe losses as well as to aid it materially. Loyalty to one's own organization and preservation of trade secrets are one thing but mutual co-operation in accordance with the best ethics of the profession is the backbone of credit work.

What The Bankers Wants To Know When You Borrow

(Continued from page 23)

who might be asked to look into the matter.

Therefore, every business man should keep books from which he may at any time draw a statement. He should do this for his own satisfaction, if for no other reason. He should voluntarily furnish his banker with a statement at least yearly. The banker will compare these periodical statements and will paint his own picture of the firm's progress. If I were to draw up an ideal statement, it would have the following characteristics:

ASSETS

Cash in banks: The bank balance would be substantial. There need not be an over abundance, but enough to convince the banker that this firm has enough funds to operate comfortably. It should be large enough to afford the banker a profit without the enforcement of a rule.

Accounts receivable: There should not be more of these than the credit terms warrant. If the credit terms are sixty days, this item should not be more than three months' sales. By this token the credit department would be shown to be functioning properly.

Merchandise: There should not be

more in this item than the turnover would warrant. If former results show a turnover of two times yearly, a six months' stock would not be out of place. The stock should be kept as low as turnover will allow. Low stocks and quick turnover make for profits and no dead merchandise.

Notes receivable: Unless the firm is selling on time payments, this item should not be in evidence at all. Business today is not carried on through notes receivable, except in a few lines.

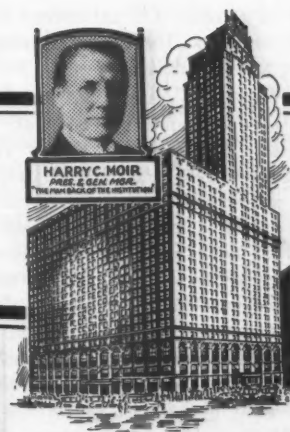
Real estate: The average statement should show but little in the form of real estate. If a private concern, there might well be the residence, moderately mortgaged. If it were a manufacturing concern, the realty holdings might be more in evidence. If the trader owns his business property, well and good; but there should not be any speculative property. The greatest mistake business men make is to put their profits and sometimes their capital into unproductive real estate. You cannot be a successful trader and a successful realtor at the same time. Stick to the thing you can do best.

Investments: Here we might well find the excess profits of the concern. Any money that is not needed in the business, plow back into good listed stocks and bonds. When this item is substantial there is time enough to branch out into the real estate field. Ask the man who followed the other course. He knows.

LIABILITIES

Accounts payable: Well managed firms take their trade discounts. This is the easiest way to make money in merchandising. Therefore only those accounts which are in process of audit should show up here. The smaller this item, the better the banker is satisfied. He will lend a firm money to take discounts. Nothing reflects better management than this.

Notes payable: (a) To the trade. Unless it is a fixed policy to give notes, this item should not appear. Business today is done through accounts receivable and accounts payable, giving due consideration to the trade acceptance, now fast coming into popular favor. (b) To banks. These should be found in all statements. Business men should borrow. No set limit can be given. That is for the banker to determine. But they should not be spread over several banks, but confined to a limited few, the fewer the better. Give your bank all you can afford in the way of balances and expect commensurate



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credit in return. Do not spread your favors too thin. The banker is susceptible to financial flattery.

The foregoing assets and liabilities constitute the working funds of the business. The banker is mainly concerned with these and as a rule eliminates the other items almost entirely. The ratio of quick assets to liabilities should be about two to one. Therefore, for every dollar of debt, there should be two dollars of assets. This is the factor of safety at which the banker looks keenly. He wants to deal with a going concern, and dismisses the thought of how he would fare in bankruptcy. He lends money and credit, not with the thought that sometime and somehow, he may get his money back, but he wants to see it come back in the due course of business. He does not want to collect through the sheriff or the bankruptcy courts. He wants to collect out of the receipts of the business. He likes best that business man who borrows and pays; borrows again and pays again, so that the stream of credit flows smoothly and continuously through his bank to the benefit both of himself and those who elect to do business with him.

All Aboard The Convention Limited

(Continued from page 29)

Debit Power of the Nation in a Governmental Agency?" In fact I don't think I'll ever get it figured out—no matter how much thinking I do. O. W. Rosenthal shot his talk on "Need for Credit Control in Construction Industry", straight from the shoulder—and it hit the hearers with real emphasis. Conventions need more talks of this kind. I am firmly sold on the values of Business Service after listening to F. J. Nicholds of Dayton, Ohio, talk on "Development of Business Service in N. A. C. M." He knew his stuff and I certainly know my stuff about business service much better after his talk. This problem of instalment selling has presented many difficult economic questions to me. Dr. Phelps from the University of Chattanooga told me many things about the "Economic Consequences of Instalment Selling", that I can tell others. And what is more important—I can back my telling up with the facts that Dr. Phelps told. John W. Allen and his program committee did an A-1 job."

"It was a mighty easy proposition to get registered at this convention. Next to registering a letter, registering at a convention is about the most difficult kind of registering there is to do. But that man George Coffey was as stimulating as a good, hot cup of coffee to a tired man. I actually felt refreshed after he had shown me through the procedure of registration."

"The inauguration of an annual golf tournament is a great idea. The golf tournament is exhilarating and I think it will be a boon to all convention delegates who like to play golf. And the golf players are increasing each year. It pleases me that more and more credit executives are playing golf. Do I have to say why this is a good sign?"

"Every convention should have a Fort Worth. People are in the habit of hurling attacks against conventions and asserting that the values that accrue from them are very difficult to isolate. When these attacks are thrown against a Fort full of Worth, they are repulsed because the Worth in the Fort overcomes them. Every convention should have a Fort Worth which symbolizes the values that come from attending a convention. Then most of the attack against a convention will be dissolved as quickly as a snowball in the sun. This comparison was brought to my mind by the excellent entertainment given by the Fort Worth Association of Credit Men on Fort Worth Day. I have heard these two sayings about Fort Worth—"The Gateway to the Golden West", and "The City of the Blackest Land and the Whitest People." Both were proved to be true. On Wednesday afternoon every delegate that attended the rodeo given on Buck Sansome's ranch on the hills west of Fort Worth learned the meaning of real western entertainment. The riding, calf tying, bucking and fancy trick riding was high above the average. Mr. Burke, who was Chairman of Fort Worth Day, lined up an afternoon and evening's entertainment that will live long in our memories."

"The men handling the finances of this convention must have done a real job. Finances are so intangible that their importance is not evident to most of the convention delegates. When there is a lack of finances and financing everyone knows about it—and talks plenty about it. When finances are just right—no one realizes that there is such a thing as a finance committee. But as one who knows and has had experiences in this angle on past conventions I want to take off my hat to Mr.



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Florence and members of the Finance Committee of the Convention."

"There was one place where you could not get misinformation at the convention and that was from the Convention committee on information. Dietz and those who worked with him certainly did a sterling job in feeding information to the uninformed. And the way we got the information was a pleasure."

"The settings of the convention were richly appropriate. They provided a fine background for convention activities. Mr. Buford and his committee on halls, decorations and music gave to the convention color, spirit and pleasing harmony."

"That hotel committee, I understand was small, but Mathews, Hall and Compton were right on the job. With two other conventions going on at the same time, the hotel situation was a real problem. But the difficult job was handled so well that we offer our highest appreciation to the men behind hotel arrangements."

"Friday afternoon—can I ever forget it. It did my heart and soul good to see J. Harry Tregoe standing on the platform again—and I felt a sort of a glory well up inside me as he gave his stirring, inspirational address. I am sure the attendance for his talk was the best of the convention. And it deserved to be."

"I have never seen a convention run so smoothly. The mechanics of the convention clicked so smoothly that one never realized there was such a thing as 'mechanics.'"

"The Chairman of the Convention Executive Committee—I didn't believe it when they pointed him out to me. Leland Dysart seemed to be the calmest and most unconcerned individual in the hotel. But when I went around to get something done—say, the speed and efficiency with which it was accomplished!"

There were so many comments on the closing of the convention that a general summary of all of them will be made. After the election of officers Convention Director Balestier introduced the chairmen of the national convention committees and directed the closing moments. Old timers remarked that never has a closing convention session been so richly endowed with spontaneity and real feeling. The closing hour was one of the highlights of the convention, and it is regretted that more of the delegates did not live through it. At a very appropriate moment a drop was lowered behind the

platform, and the entire hall joined in "Auld Lange Syne." Every voice rang out with expression, emotion and appreciation. And at this vivid, never-to-be-forgotten climax the thirty-fifth convention of the National Association of Credit Men adjoined, with the Convention Limited reaching its destination exactly on time and with as happy a passenger list as ever traveled on a convention train.

Sales and Collections

(Continued from page 34)

are slow, that is, shoes, furniture, automobiles, radios, and pianos. Meats are very slow.

MINNESOTA: Collections in Minnesota are slightly behind last year and last month but are showing considerable improvement. Sales are "Fair" and slightly under 1929 in value, but probably not a great deal under as to count.

MISSOURI: Crop prospects look good and should speed up collections and sales later on.

NEBRASKA: Corn planting is about 75 per cent. completed and prospects

for a wheat crop at this time look exceptionally good. Collections are "Fair" and the enforcement of terms and a more careful scrutiny of credit will have a tendency to improve collections. There is not much change evident in regard to sales. There is considerable activity in materials used in road construction.

NEW JERSEY: Sales in New Jersey seem to be showing a slight improvement in nearly all lines.

NEW YORK: Reports from New York show both collections and sales "fair".

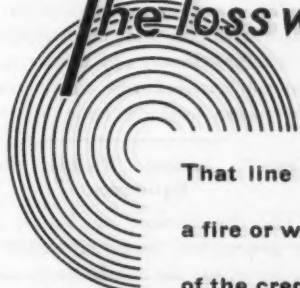
OHIO: Conditions in Ohio seem to be improving. April's collections seemed to be the best this year. Sales are rather spotty, running from slow to good but averaging fair, with only moderate prospects for balance of year.

OKLAHOMA: Collections and sales are very slow in Oklahoma. No improvement is expected before the Fall.

PENNSYLVANIA: Collections and sales in Philadelphia are very favorable. However, in the mining sections, things are at a standstill, several mines having

(Continued on page 50)

"The loss was fully covered by insurance"



That line in a newspaper account of a fire or windstorm makes the hearts of the creditors glad. The three companies of the Aetna Fire Group, furnishing protection for every insurable hazard, have gladdened the heart of many a credit manager.

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The World Fire and Marine Insurance Company

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JUNE, 1930

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IN THE MODERN OFFICE

An idea and experience exchange on equipment, system and management in the modern credit and business office.

New Machine Posting Tray

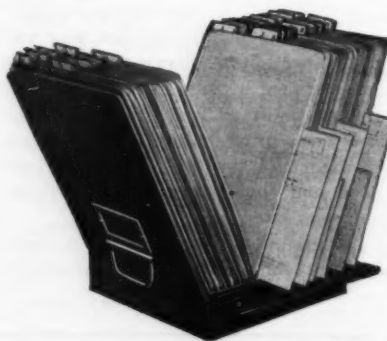
The Automatic File and Index Company, Chicago, has recently developed and is now ready to market a new machine posting tray.

Saving of space, concentration of accounts and speedy operation are the features of this new Automatic Posting Tray. It holds 8 inches of ledger sheets and indexes in an over-all length of 9½ inches. This unusually large capacity in a small tray meets a great demand in business today. The tray has a drop-side which permits offsetting of sheets. The drop-side is easily released by a convenient side button.

There is plenty of working space in Automatic Posting Trays without adjusting the compressor. To operate, merely spread the ledger at the desired point, the front tilts forward and the compressor tilts backward automatically providing a 9-inch working space at the top and a one-inch working space at the bottom of the sheets. When posting is completed, push the compressors together and the sheets are automatically compressed, ironing out the curl, and making the complete unit fire resistant. The standard 19-inch safe will hold two Automatic trays end-to-end. The usual seven operations necessary to open and close the ordinary tray are reduced to three, a saving of 57 per cent. in operating time.

The Automatic Posting Tray is built of steel with a brushed aluminum floor that holds the sheets upright and prevents them from slipping together. The bottom is padded with felt. Convenient handles make the tray easy to carry. A drop side is provided for offsetting of sheets. Finish is durable and attractive Olive Green with a bronze combination handle and label holder.

The Automatic File and Index Com-



pany also manufactures desks to hold Machine Posting Trays. There are two models, each model having an automatic expanding and compressing drawer, a utility drawer and an overhanging, linoleum covered top which forms a convenient working table.

'Cesco' Junior Visible Record Equipment

The development of Visible Books for present day forms of record keeping represents one of the great achievements of recent years. The C. E. Sheppard Company, makers of "Cesco" Visible Records in Book Form feature the "Master" Line for large units, and the "Junior" Line for small units.

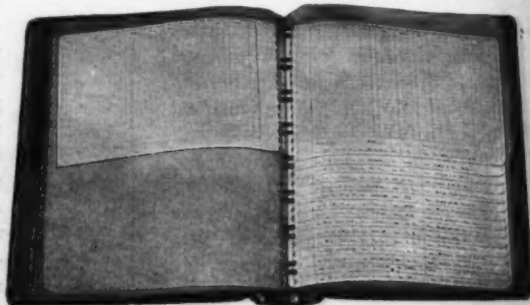
The Junior Visible Record Binder is especially designed for smaller units and installations, and provides superior equipment at a moderate price. Like the Master line, it is of the prong binder type, one of the outstanding features of the Cesco line for the past twenty-seven years. The prong type of binder is more compact and the sheets are held in better align-

ment than in any of the other types of binders. The Prong Binder has a divided back with perfectly curved prongs, riveted to a metal casing to insure rigidity, and a convenient thumb catch. A fibre back which withstands hard wear forms a covering for the inside metal casing.

The Junior Binder is of lighter construction than the Master Binder, and is made in smaller capacities and smaller sizes. The only feature of the Master line which it does not have is the double action catch. It is unique in the field of moderately priced visible equipment. This is the first time a binder of the prong construction has been offered within the price range of binders which do not feature this construction.

The Junior Visible Record Binders come in six different sizes, ranging from 11 x 7½ inches to 14 x 10½ inches. Any one of the six sizes may be had in capacities of either 1 or 1½ inches.

The manufacturers feature a complete line of stock forms for use with Junior Binders. These forms include: Regular Ledger Form in two sizes, Collection Record, Prospect Record, Attorney's Docket, Quotation Record, Credit Record, Insurance Prospect Record, Real Estate Record and Stock Control Form.



CREDIT MONTHLY

Bookkeeping Records on Cards

Utica.—We sell to wholesalers and have in the neighborhood of twelve hundred accounts active. We have in our Credit Department Kardex files which record the invoices and payments, being almost a duplication of the bookkeeping records. We use exactly the same cards, but buff-colored, for charges through a subsidiary company. With the signals placed at the bottom of the cards, we have a check every few days of the maturity of invoices, placing the signals on at the beginning of the month from our monthly statements, our selling terms being 2/10—1/30—n/60.

We keep a separate file of "credit information" cards for each account, giving the credit limit of the account, ratings in Dun and Bradstreet, amount of insurance carried, banking connections, officers, and amount of business done with our company each year for the past ten years.

We provide our salesmen with a form to use in briefly reporting to the credit department on new customers. The form is merely to give us a little information as to the size and stability of such prospective customers and is of service where an order is received for immediate shipment.

By means of this form the salesman informs us as to whether the order was solicited or voluntary, what the requirements of the customer are for this season and future seasons, what kind of impression the salesman received of the individuals and the business.

J. S. VAN VLIET

Utica Knitting Co., Clayville Knitting Co.

A Personal Data System

The Wilson Memindex Company, Rochester, New York, manufacturers of personal data systems in box or pocket case form announce a new model, the "Companion" Memindex. The box model has a wood core and is covered with a leather textured material, which is very durable. The maroon coloring is very effective. The Pocket Case model is of cowhide with three-ton colored finish to harmonize, in Mission grain. It is available in black.

Memindex is a card system. In both case or box, there is a card for every day in the year, marked with easily visible tabs. There is also an alphabetical file of blank cards. There are extra cards for miscellaneous memoranda and, for use with these cards, general guides, salmon colored, with large center position tabs printed: "Addresses", "Budget", "Expenses", "Equipment", etc.

JUNE, 1930

One Month's Convictions

Credit Protection Department of the National Association of Credit Men

MARCH, 1930

CASE	INDIVIDUAL	CHARGE	SENTENCE
F. & W. Silk Co., Paterson, N. J.	Feldman, Morris S. Bailer, Samuel Green, Max Nussman, Jacob Taback, Israel Langfur, Samuel	Concealment of assets & conspiracy	30 days 30 days 6 months 18 months 18 months 2 years
Irving M. Miller, Lewistown, Pa. (Men's Clo. & Shoes)	Irving M. Miller	Concealment of assets	Fined \$250
Russell C. Glass, tfg. as Shoe Market, Lewistown, Pa. (Shoes)	Russell C. Glass	Use of mails to defraud	90 days in the Mifflin County Jail
B. G. Dukinas, Luzerne, Pa. (Clo. & Shoes)	B. G. Dukinas	Concealment of assets	Fined \$50
Harry Rappaport, Philadelphia, Pa. (Shoes & Women's Apparel)	Harry Rappaport	Use of mails to defraud	Fined \$1500
Geo. Sarkes Cleveland, Ohio (Clo.)	Geo. Sarkes	Concealment of assets	61 days Canton Workhouse
Butler Hardware Co., Oakland City, Ind.	John L. Griffith Walter Griffith	Conspiracy to conceal assets Conspiracy to conceal assets	(Deferred) (Deferred)
La Salle Drug Co., Minneapolis, Minn.	Joseph Vertelney	Conspiracy to conceal assets	(Deferred)
Barney Greenberg, Minneapolis, Minn. (Dry goods)	Barney Greenberg Morris R. Segal Joseph I. Medonik	Conspiracy to conceal assets Conspiracy to conceal assets Conspiracy to conceal assets	16 mos. Leavenworth Penitentiary 2 yrs. Leavenworth Penitentiary 2 yrs. Leavenworth Penitentiary
Sam Epstein, Kansas City, Mo. (Shoes)	Sam Epstein	Contempt	Sent to Jackson Co. Jail until defendant pays into court \$4,000.00 held as concealed from creditors

Total of 915 Convictions from June 1, 1925 to March 31, 1930

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CREDIT MONTHLY
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notify us at least a month in advance

Addresses Wanted

ADARIO, SAM, 2911 W. Van Buren St., Chicago. (Grocery).
 APFEL, (HARRY) and GOLDBACH (MAX), formerly proprietors of the Mercury Book Shop, 2410 Creston Avenue, also 14 East Mount Eden Avenue, Bronx, N. Y. C.
 BELL, J. A., formerly located at 1607 Norris Place, Louisville, Ky. Later in St. Louis working for Frigidaire Company.
 BOUDRIE, V. H., formerly of Weston, Mo. Grocery business. Left several years ago for California.
 BOURDUNIS, CONSTANTINE, Marvel Sander Mfg. Company, 421 Washington Blvd., Chicago.
 BURKE & HODNETT, Lyme, Conn.
 BURKHARTS KIDDIE SHOP, 1322 Avenue J., Brooklyn, N. Y.
 CASELLE, NICK, 9203 Commercial Avenue, Chicago. (Meat market, Universal).
 COLLEGIAN BROTHERS, former operated restaurant at Sound View, Conn. Now thought to be in Hartford, Conn.
 DAVIDOW, I. W., formerly operated the Syndicate Clothing Co., Riverhead, L. I.
 DEMERS, ARTHUR C., operated a retail grocery and meat market at 247 Smith St. Prior to that operated at 322 Parker St., Lowell, Mass. Said to be living at 716½ Payne St., Flint, Michigan.
 FERRIS, ALBERT J., formerly of New Milford, Conn.
 FIELDS, C. D., Amberdale, W. Va.
 FIORELLI, (STELLA) or VALLONE (ROBERT), 176 Main St., Southington, Conn.
 FITZGERALD, H. D., formerly at 1236 Marian St., Lincoln Park, Michigan.
 GIBSON, J. B., Clarendon, Ark. (Grocery & Meat Market).
 GOLDBERG, MORRIS, bought merchandise at 1203 Main St., Ft. Worth, Texas, formerly in business in Oklahoma City.
 HARRIS, WILLIAM L. (DR.), Providence and Warwick Neck, R. I. Now believed to be in Canada.
 HART, O. L., formerly at 6201 Palo Pinto, Dallas, Texas.
 HUBERS, THEODOR, PROP. Floor Service Bureau, Bond Bldg., Builders Exchange, Washington, D. C.
 JAFFEY, ISIDOR, at one time located at 693 E. 134th St., N. Y. C.
 JOHNSON, ERNEST W., formerly at 2220 Tuxedo Ave., Detroit.
 JONES, ALVIN, Homesite Grocery Co., 2724 Bridge Ave., Davenport, Iowa. Also 321 Alexander St., Chicago.
 JOYCE, LESTER B., formerly of 3265 Whitney Ave., Hamden, Conn.
 JUNKIN, A., Lincoln Drug Store, 1161 E. 71st St., Cleveland, Ohio.
 KIRSHNER, JOHN, formerly of 3 South Orange St.,

New Haven, Conn. Also The Subway Grill, Church and Chapel Sts., New Haven, Conn.
 KNIGHT, S. E. (MD.), N. Brand Blvd., No. 115½ Glendale, Calif. Docket 8986.
 KUSHNEROFF, V., formerly proprietor of Paris Book and Art Shop, 642 Madison Ave., N. Y. C.
 LEVIN, MORRIS, 107 W. 84th St., N. Y. C.
 LISI, CHAS., formerly of 81 Monroe St., New York City.
 MARTIN, A. B., 555 W. 103rd St., Chicago. (Grocery and Meat Mkt.).
 MOORE, JOHN E., formerly operated drug store at 137 Newhall St., New Haven, previously of Branford, Conn.
 NEWTON, HAROLD, fraternity Bowling Alleys, 144 Arch St., New Britain, Conn.
 PIERCE, (BURN) and (FREDA). Operated stand at 47 Ocean Avenue, West Haven, Conn.
 FRESHCELL, INC., M. A., 1735 Grand Central Terminal, N. Y. C.
 PROCTOR, HARRY F., formerly conducted under the name of Proctor's, Inc., 611 W. 7th St., Los Angeles.
 QUINN, CATHERINE V., 9107 Beverly Ave., Chicago. (Grocery).
 RAFF, (BERTRAM) and MARTIN (NELLIE), formerly doing business as Majestic souvenir Co., 1165 E'way, N. Y. C.
 RELIABLE DISTRIBUTING CO., Oronota, N. Y.
 REMINGTON, KENNETH F., 747 High St., Fall River, Mass. Was in the cotton brokerage business.
 ROBERTS, LEWIS B., 225 Kenmore Rd., Brookline, Pa.
 ROMANSKY, FANNIE (MRS.), formerly located at 109 Perry St., Trenton, N. J.
 RUSSO, ALBERT J., Coal and Wood, formerly of 59 Foote St., New Haven, Conn.
 SALZMAN, JAMES, formerly of 11 E. Fordham Rd., N. Y. C.
 SCRONKOWSKI, MICHAEL, 1895 Elston Ave., Chicago. (Grocery & Meat Mkt.).
 SERBIN, LOUIS, 980 Fifth Avenue, New Kensington, Pa.
 SHELBY, BETTIE, (MRS.) PROP. Fine Arts Importing Co., formerly 3111 No. Crawford Avenue, Chicago.
 SMITH, EDGAR T., formerly of Hotel Berkshire, Providence, R. I. Now believed to be in N. Y. C.
 SNELL, WALTER E., doing business under the name of Bond Paint and Chemical Co., Allston, Mass.
 TESSLER, H., formerly conducted a store at 2243 North Market St., St. Louis, Missouri. Last reported in Chicago.
 TUCKER, O. S., Midway Coffee House, Westbrook, Conn.
 WARD, CHARLES, formerly operated the Maxwell Diner at Hartford, Conn. Now thought to be in Portland, Conn.
 WEINROT (BENJAMIN) and (ANNE), formerly at 551 Fifth Avenue, N. Y. C.
 WOLFF, JOHN F., 408 E. 69th St., Chicago. Also 1131 4th Ave., Rockford. (Grocery and Meat Mkt.).

ZALEWSKI, ALEX, 3407 Jerome St., Detroit. (Grocery and Meat Market).

Sales and Collections

(Continued from page 47)

closed permanently and others working very poorly.

TEXAS: Conditions in Texas seem to be "Fair". There has been an improvement since last month in many lines.

WASHINGTON: Both collections and sales in Washington are "Fair". Credit lines are being restricted, increasing volume of collections. More actual cash is being collected than usual. The crop outlook is very good, in fact almost all sales look good except installment selling which is slow. Conditions in western Washington appear to be improving and there is a change for the better. The lumber industry, however, is the big factor. Reports on this are more favorable depending on settlement of the tariff.

WEST VIRGINIA: The general average of collections is "Slow" and sales are "Fair". No marked improvement in sales can be noticed, although reports from Parkersburg say that some firms still report sales ahead of 1929.

W. W. Kerr Heads Chicago Business Service Dept.

THE new Business Service Department of The Chicago Association of Credit Men created as a first aid for sick business, began operation on June 1st under the supervision of W. Wallace Kerr, formerly National director from Chicago and for many years active in Association work. For more than fifteen years he has been an active member of The Chicago Association of Credit Men and for the last four years has served as a director and as second Vice President and first Vice President of the Chicago Association.

Mr. Kerr was especially active in connection with the raising of the First Credit Protection Fund and became a member and Vice Chairman of the original Credit Protection Department Executive Committee for the Central Division.

He has served as chairman of the Credit Protection Committee of the Chicago Association, the Commercial Arbitration Committee, and during 1929-1930 the Credit Education and Management Committee.

Mr. Kerr is a graduate of the University of Michigan College of Law and has had a period of service of twenty-nine years with the Cable Company of Chicago.

CREDIT MONTHLY

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INCORPORATED - 1872

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 PACIFIC DEPARTMENT, 233 Sansome Street, SAN FRANCISCO, CAL.

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AFFILIATED INSURANCE COMPANIES

American Alliance Ins. Co.	Massachusetts Fire & Marine Ins. Co.
American National Fire Ins. Co.	Mount Royal Assurance Co. (Canada Only)
County Fire Insurance Co.	North Carolina Home Ins. Co.
Detroit Fire & Marine Ins. Co.	Rochester American Insurance Co.

Great American Indemnity Company

When you take out a Great American Policy please mention Credit Monthly



JEST FOR FUN

Entertainment

LADY: "I'll give you a nickel, not because I think you deserve it, but because it pleases me."

BEGGAR: "Thank you, good woman, but why don't you give me a quarter and have a real good time?"

Sage Advice

"Daddy, is there such a thing as Luck in business?" asked Junior.

"No, my Son. It is necessary to have Pluck in business and always be on the look-out for someone to practice it on."

Special Delivery

SALVATION LASSY (to Miserly Old Man): "Won't you please give something for the Lord?"

M. O. M.: "How old are you?"

SALVATION LASSY: "Just sixteen, Sir."

M. O. M.: "I am sixty-five and since I'll be seeing Him long before you do, I'll just hand it to Him myself."

Crime Story

PRETTY: "This is where that handsome young bandit approached me, grabbed hold of me and then oh-oh-oh how he kissed me."

HOMELY: "Let's stay around here for awhile. I have heard it said that they always revisit the scene of a crime."

Pretty But Dumb

1ST BOSS: "Ahemm! Some Secretary you've hired."

2ND BOSS: "She spells atrociously."

1ST BOSS: "Fine, let's keep her. I never could spell that word."

Expensive Visit

TEACHER: "James, you are bad beyond correction and I find it necessary to send for your Father."

JAMES: "That's all right with me, Teacher, but Dad is a doctor, and charges \$5 a visit."

—Sure Enough Humor.

Directors, 1930-1931

W. K. ADAMS
First Wisconsin National Bank
Milwaukee, Wis.

L. F. BOMHOFF
Jaxon Steel Products Co.
Jackson, Mich.

J. A. BOND
Standard Oil Co. of California
San Francisco, Calif.

ALBERT C. BURCHETT
Bank of Commerce & Trust Co.
Memphis, Tenn.

HENRY W. CLAUSEN
The C. D. Osborn Co.
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GEORGE DECAMP
Federal Reserve Bank
Cleveland, Ohio

D. S. DODSON
McLendon Hardware Co.
Waco, Texas

JOHN W. FITZGERALD
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P. M. MILLIANS
Ernest L. Rhodes Co. Inc.
Atlanta, Ga.

J. M. RUST
Union Oil Co.
Los Angeles, Calif.

J. E. STILZ
Kiefer-Stewart Co.
Indianapolis, Ind.

GUY M. TRUEX
Innes Wholesale Furniture Co.
Wichita, Kansas

F. S. WALDEN
Strevell-Paterson Hardware Co.
Salt Lake City, Utah

LISTER T. WATTS
Standard Oil Co. of New Jersey
Washington, D. C.

C. W. WHITE
The Logan Company
Louisville, Ky.

JOHN H. WILES
Loose-Wiles Biscuit Co.
Kansas City, Mo.

W. A. WILLIAMS
Williams & Reed, Inc.
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One Park Avenue, New York

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Assistant Executive Manager

One Park Avenue, New York

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Nationalize Your Credits

The National Surety Company invites the Credit Men of Manufacturers and Wholesalers to investigate and become acquainted with the method they are offering for stopping credit losses at a certain pre-determined figure, or else pay the Assured the excess.

Business conditions at the present time call for every safeguard that can be obtained as collateral on credit extended.

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115 Broadway, New York

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JUNE, 1930

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ANSWERS TO CREDIT QUESTIONS

Conducted by E. Paul Phillips

Terms of Sale

Q. Can a trade discount properly be taken on the gross amount of an invoice before deducting the amount of the invoice which represents freight charges?

A. Our opinion is clearly that the trade discount should be calculated on the price of the goods and not on the transportation charges.

Mechanics' Lien Law of the District of Columbia

Q. Under the Mechanics' Lien Law of the District of Columbia, would an owner be compelled to pay sub-contractors if he had already paid the original contractor the agreed price before the sub-contractors filed their claims?

A. Section 1240 of the Code of Law for the District of Columbia states as follows in respect

As to Legal Advice

THE National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the Credit Monthly. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

to this question: "Sec. 1240 Conditions—All such liens in favor of parties so employed by the contractor shall be subject to the terms and

conditions of the original contract except such as shall relate to the waiver of liens and shall be limited to the amount to become due to the original contractor and be satisfied, in whole or in part, out of said amount only; and if said original contractor, by reason of any breach of the contract on his part, shall be entitled to recover less than the amount agreed upon in his contract, the liens of said parties so employed by him shall be enforceable only for said reduced amount, and if said original contractor shall be entitled to recover nothing said liens shall not be enforceable at all. See *Winter vs. Hazen-Latimer Co.*, 42 App. D. C. 469 (1914); 42 W. L. R. 876. *Insurance Co. vs. Shedd*, 16 App. D. C. 150 (1900) 28 W. L. R. 290. *Herrill vs. Donovan*, 7 App. D. C. 322 (1895); 23 W. L. R. 821."

Method of Control of Credit Department

Q. Please state what you consider the best method of controlling the Credit Department. Should it be included in the Auditing Department, the credit manager being under the supervision of the general auditor; or should the Credit Department be made separate and the credit manager responsible to the treasurer or comptroller?

A. We believe that the best organization set-up is to have the Credit Department come under what may be termed operating control and that it should be on a parallel basis with the Finance Department headed by the treasurer, the Finance Department coming under what might be termed policy control. It is generally customary for the Credit Department and the Treasury Department to be tied in very closely and as a rule the treasurer is either head of the Credit Department or has general jurisdiction over it.

It seems to us that the Accounting and Auditing Department is a secondary function under operating control and while there is a close association between the Credit and Auditing Department, it does not seem proper for the Credit Department to be included in the Auditing Department.

Credit

Q. We extend credit to shoe repairers who have no property in their own names, but frequently have homes, automobiles and other articles of value in the names of their wives. Is it possible to reach such property?

A. We know of no way in which property which is in the name of a wife can be reached for the husband's debts, unless the property were transferred to the wife by the husband without consideration, and in fraud of creditors. In the latter circumstance, the conveyance is fraudulent and can be set aside in appropriate proceedings.

Promissory Notes

Q. Is there some special form of note which incorporates the provision that where a note is taken in settlement of an open account and it is learned that the party signing the note is in financial difficulty before the note matured, such circumstances would permit the note to become due for payment?

A. We have never seen a promissory note which incorporated a clause providing for acceleration of maturity in the event that the maker should become financially irresponsible in the opinion of the holder, before the maturity of the note. We would not advise the use of such a note without an examination of the law and decisions in each state in which the same was to be used, with a view to determining the effect of such a clause, both upon the validity and negotiability of the instrument.

CREDIT MONTHLY



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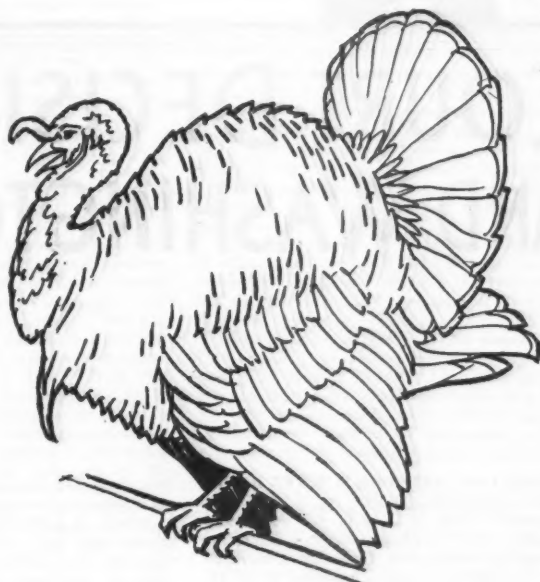
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GENTLEMEN:

I want your folio of sample credit forms.

Name

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COURT DECISIONS AND WASHINGTON NOTES



CLAIM FOR GOODS SOLD AFTER BANKRUPTCY ADJUDICATION. (N. J.)

Plaintiff's claim is in part for goods sold defendant after his adjudication but before his discharge in bankruptcy. *Held* that a discharge from bankruptcy releases a bankrupt of all his provable debts, and a promise of a bankrupt to pay a debt made between adjudication and discharge is ineffectual to revive the debt. Judgment for plaintiff reversed. *Black vs. Yanowsky*. Supreme Ct. N. J. Decided March 10, 1930.

PREFERENTIAL TRANSFER. ASSIGNMENT OF TRUSTEE'S RIGHT TO SET ASIDE SAME. (WASH.)

Appellant purchased all the assets of the bankrupt, Renfro-Wadenstein, for the sum of \$150,000. Subsequent to the purchase the appellant, trustee in bankruptcy, brought action in the Superior Court of the state of Washington to set aside a transaction wherein the bankrupt assigned a conditional sales contract to Atiyeh Bros., on the ground that such transfer was made with the intent of preferring this creditor. The appellee arranged a compromise of the suit in the state court and applied to the referee in bankruptcy for authority to enter into such compromise agreement whereupon the appellant objected and insisted that the trustee proceed to judgment in the action, and offered to pay the expense of such litigation. These objections were based on the theory that the appellant, by reason of his purchase of the assets of the bankrupt, was entitled to the fruits of the litigation inaugurated by the trustee in bankruptcy to set aside preferential transfer. *Held* that the trustee in bankruptcy could not sell his right to set aside a preferential transfer and it is therefore immaterial to examine the terms of the assignment made by the trustee at the time of the sale to the appellant because even if the assignments purported to specifically transfer the right to set aside the transaction with the Atiyeh Bros., on the ground that such transfer created a preference, the assignment would be ineffective. *Grais vs. Osborn*. U. S. C. C. A. 9th Cir. (Wash.) Decided March 31, 1930.

BANK. INSOLVENCY. STOCKHOLDERS' LIABILITY. ASSIGNABILITY. (OKLA.)

Held that the additional or double liability of shareholders in a state bank as fixed by section 4122, C. O. S. 1921, constitutes no part of the assets of the bank, and though upon the insolvency of the bank it be assessed by the

State Bank Commissioner pursuant to law, it is not a subject of assignment as an ordinary chose in action. A purchaser of the assets of an insolvent state bank through a contract of sale with the State Bank Commissioner, which includes an assignment of the assessed additional or double liability of shareholders of the bank, does not acquire an actionable interest in such assessed liability, nor does the State Bank Commissioner have such an interest therein so as to maintain an action thereon for the benefit of the assignee. *American Exchange Bank et al. of Henryetta et al. vs. Rowsey*. Supreme Ct. Okla. Decided March 25, 1930.

CHECKS. CERTIFICATION. ASSIGNMENT OF FUNDS. (MISS.)

Held that an action cannot be maintained by a payee of the check against the bank on which it is drawn, unless the check has been certified or accepted by the bank in compliance with the statute, even though at the time the check is presented the drawee bank has funds belonging to the drawer of the check out of which the bank is legally payable; and that the payment of the check by the bank on which it is drawn, even though paid on the unauthorized endorsement of the name of the holder (without notice of the defect by the bank), does not constitute a certification thereof, neither is it an acceptance thereof, and without acceptance or certification, as provided by statute, there is no privity of contract between the drawee bank and the payee, or holder of the check. Neither is there an assignment pro tanto of the funds where the check is not drawn on a particular fund, or does not show on its face that it is an assignment of a particular fund. *Federal Land Bank of La. vs. Collins, Sanders et al.* Supreme Ct. Miss. Decided April 7, 1930.

BANKS. INSOLVENCY. RECOVERY OF DEPOSITED STOCK CERTIFICATES. (ARIZ.)

Plaintiff left a certain certificate of stock with a bank for safe keeping. The bank subsequently became insolvent. *Held* that plaintiff is entitled to the return of the same kind of certificate. It is not necessary that plaintiff be able to identify the particular certificate which he left at the bank. *Button vs. Hands*. Supreme Ct. Ariz. Decided March 31, 1930.

PROMISSORY NOTES. JOINT LIABILITY. BANKRUPTCY. (MICH.)

Action to recover on a promissory note. It was signed by both defendants, who are husband and wife. The defendant John Pethick

was adjudged a bankrupt. The note was scheduled by him in the list of his liabilities. Plaintiff, although duly notified, made no proof thereof. The question is, Does the discharge in bankruptcy of John Pethick bar the rendition of a joint judgment against him and Lulu Pethick? Plaintiff seeks to recover a joint judgment against the husband and wife under the provisions of Act No. 158, Pub. Acts 1917. *Held* that the execution of the note sued upon may be said to have been an undertaking on the part of both husband and wife that any property owned by them by the entireties might be resorted to for its payment. His interest in the property owned by them by the entireties is not a severable one. The statute simply gives the creditor a right to obtain a joint judgment which may be enforced by levy and sale of the property of which they have ownership by the entireties. It is to be presumed that it was by reason of such ownership that the credit was extended. The obligation was entered into in conformity with the terms of the statute so that redress might be had thereunder. If the discharge in bankruptcy of the husband is a bar to the recovery of a joint judgment, the statute, in many cases, will accomplish no purpose. Plaintiff is entitled to a judgment. *Edwards & Chamberlin Hardware Co. vs. Pethick & ano.* Supreme Ct. Mich. Decided April 7, 1930.

CHECKS. FORGERY. FRAUD AS TO IDENTITY. (OHIO.)

Harry Barnes, the son of A. M. Barnes, was desirous of buying a boat which was in the possession of C. H. Squires. Harry Barnes went to his father A. M. Barnes and procured a check and gave it to C. H. Squires, and the check was made payable to C. H. Squires and the boat was delivered to Harry Barnes. The man who said his name was C. H. Squires, who was really Jack Squires, was paid the amount of the check by The Guardian Trust Company. In the meantime the check that The Guardian Trust Company had cashed having been drawn on the Midland Bank, payment on the check was stopped. Suit was brought by The Guardian Trust Company against A. M. Barnes to recover the money that it had paid out on this check. The theory of the defense is that this was a forged endorsement on the check. *Held* that this was not a forged endorsement. The same man who received the check presented it to the bank and had it cashed. For all intents and purposes the person who gave his name as C. H. Squires, although as a matter of fact he was a brother of C. H. Squires, was the man

to whom this check was given and he had the right to endorse that name upon the check. His signature was not a forged signature and the bank had the right to recover. *Barnes vs. Guaranty Trust Co. Ct. of Appeals. Ohio. Decided March 24, 1930.*

BANK. INSOLVENCY. TRUST FUND. TRACING. (GA.)

Before the failure of the Macon Bank, the Washington Bank had sent to it checks and drafts indorsed in blank. The items so sent were at once entered by the Macon Bank to the credit of the Washington Bank, no separate collection register apparently being kept, but the Washington Bank did not check against them until sufficient time had elapsed for the drafts to be collected and the funds or the uncollected drafts to be actually returned to the Macon Bank by its correspondents. Uncollected items were, when returned, charged to the Washington Bank without previous notice or consent by it. Just prior to the failure, a number of drafts on points in Massachusetts, Pennsylvania and New Jersey were thus sent by the Washington Bank to the Macon Bank. All drafts remaining uncollected have been returned to the Washington Bank as its property by the receiver. The question is whether any of the collected funds which came to his hands were then the legal or equitable property of the Washington Bank, and can be traced as such. Held that the Macon Bank's general accounts with the Atlanta and Philadelphia Banks were equivalent to separate vaults or drawers in which some of its funds were kept, and if funds of the Washington Bank are shown to have gone into one of them and no withdrawal has since been made which must have taken these funds out, equity concludes that the fund which the Macon Bank did not withdraw was that which it ought not to have used. If, therefore, any of the collections at the time of the failure still rightly belonged to the Washington Bank, it is plain that the receiver got them, and must account for them. The facts alleged authorize the conclusion that the agency was to cease and the relationship of general depositor, that is, general creditor, to begin only when the collection having been made, the proceeds became available to the Macon Bank, and it in turn made them available to the Washington Bank. It follows that collections in Boston unremitted and unnotified to the Federal Reserve Bank of Atlanta on Nov. 26, 1928, were uncompleted collections, and were still the property of the Washington Bank. Of those made through the Philadelphia Bank the collections made in New Jersey on Nov. 21 and Nov. 23 may be recoverable. The previous collections were all completed in sufficient time for notice to have been given the Macon Bank before its failure, and became general deposits of the Washington Bank, unless by an earlier knowledge of the Macon Bank's insolvency on the part of its officers they were precluded from honestly accepting them as such. *Washington Loan & Banking Co. vs. Fourth Nat'l Bank of Macon & ano. U. S. C. C. A. 5th Cir. (Ga.) Decided March 7, 1930.*

FAILURE OF INTERMEDIATE BANK. TYPE OF RELATIONSHIP. (MISS.)

One Jones, Secretary-Treasurer of the Okolona National Farm Loan Association of Okolona, Mississippi forwarded to the Federal Land Bank of New Orleans his check on the Commercial Bank & Trust Company of Okolona, Mississippi for \$52.00 in favor of the said Federal Land Bank over to and deposited with the Hibernia Bank & Trust Company under a general understanding. The check was received and cashed by the Hibernia Bank. The Hibernia Bank forwarded said check with others to the Merchants & Farmers Bank of Okolona for collection. The said Merchants & Farmers Bank received and collected said check and gave its exchange in settlement thereof in favor of the Hibernia Bank drawn on the First National Bank of Memphis. After the said exchange had

been forwarded and before it could be presented, the Merchants & Farmers Bank became insolvent. Because the said remittance draft received by the Hibernia Bank was dishonored by the drawee bank at Memphis on account of the closing of the Merchants & Farmers Bank, the Hibernia Bank charged the amount of the check against the account of the Federal Land Bank. Held that such a transaction does not constitute a trust, but when the check is sent for collection and is actually collected the relation of debtor and creditor is established and not that of principal and agent. Bill dismissed. *Love vs. Federal Land Bank of N. O. et al. Supreme Ct. Miss. Decided April 14, 1930.*

NEGOTIABLE INSTRUMENT. DISCHARGE IN BANKRUPTCY. REVIVAL OF DEBT. (TEXAS.)

A promissory note executed by defendant in error was discharged by bankruptcy proceedings unless the same was revived by a new promise made by him subsequent to his discharge. The promise relied upon reads as follows: "You can count on getting a part of the money I owe you this fall. I can't yet say how much, but you are on the list to be paid first." Held that where a debt has been discharged by bankruptcy, the mere acknowledgement of same, or the expression of a hope, desire, expectation or intention to pay is not sufficient to revive the same. There must be the expression by the debtor of a clear intention to bind himself to the payment of the debt. The language relied upon to revive the debt is ambiguous, hence it cannot be said that the promise made by defendant in error to pay the note is clear, distinct and unequivocal. This being true, the lower court properly denied plaintiff in error a recovery upon the note. *Neblett, Jr. vs. Armstrong. Commission of Appeals. Texas. Decided April 9, 1930.*

WRONGFUL REFUSAL TO HONOR CHECK. DAMAGES TO CORPORATE MANAGER. (ALA.)

Appellant was manager of a plumbing and heating company, which was a depositor in defendant's bank. He, as such manager, and with authority, issued a check of the company on such bank. There were sufficient funds of the company in the bank subject to the check. The bank refused to pay the check, wrongfully and falsely stating that the company did not have sufficient funds. Appellant was arrested and placed in jail and suffered other special damages set out. The court sustained demurrer to these counts. Question is whether there may be a legal duty owing by a banker to the manager of a depositor company, by reason of such deposit, to honor and pay the proper checks of the depositor properly issued by such manager when sufficient funds are on deposit and when such checks are properly presented for payment. Held that when the sole duty is that created by contract the action is usually limited to the parties to such contract or their privies. But not so, though the contract is necessary to sustain the action, where there is an invasion of a legal duty to the plaintiff independently of or concurrently with the contract, though he is not a party to it. Defendant cannot escape liability on the ground of want of privity of contract between him and the person injured. It would seem that the underlying principle is that one owes another the duty fixed by law not negligently or wilfully or wrongfully to do an act which will probably injuriously affect him, unless there be legal justification. It should be left to the jury on proper proof and not be determined as a matter of law whether such alleged wrong did or did not proximately injure plaintiff and constitute the basis of a tort action, when the complaint alleges that it did. The demurrer was improperly sustained. *Macrum vs. Security Trust & Savings Co. Supreme Ct. Ala. Decided April 10, 1930.*

The WASHINGTON NOTES following are supplied by George C. Shinn, attorney-at-law, Wilkins Building, Washington, D. C.

Fraudulent Advertising

For about a year, the Federal Trade Commission has been investigating the subject of fraudulent advertising, and as a result of its investigation, has started proceedings against several hundred fraudulent advertisers and the publishers and advertising agencies involved. It is estimated that the general public has benefited by these proceedings to the extent of millions of dollars, one estimate being fifty million dollars.

Fraudulent advertising covers a wide range of subjects, the principal one being all sorts of "cure-alls" for human ailments, the latter subject consuming at least 75 per cent. of the Commission's cases.

When it is considered that the expenditures for national advertising during the calendar year 1929 totalled \$231,629,270, some idea of the extent to which fraudulent advertising may go may be imagined. This advertising, of course, is not confined to newspapers, but to magazines of all kinds and radio broadcasting.

Supreme Court Cases

Arguments were recently held in the Supreme Court of the United States in cases involving the right of the Government to seize an automobile engaged in unlawful transportation of liquor, without any recourse on the part of an innocent owner.

The cases are of vital interest to finance companies, who very often find themselves dispossessed of the security for their loans with no recourse whatever. When it is realized that there were nearly five million new cars registered last year, and that over two billion dollars of the purchase price of these cars was supplied by finance companies, the importance of the cases is made manifest.

American Underwriting of Foreign Securities in 1929

The Department of Commerce has issued a bulletin containing a review of American financing of foreign securities during the year 1929.

Among the subjects discussed are:
Conditions affecting volume of foreign financing;
Geographic distribution of foreign offerings;
Government securities;
Corporate securities;
Classes of industries financed.
Copies of the bulletin may be obtained from the Superintendent of Documents, Washington, D. C., or from the Department of Commerce, at a price of 10 cents each.

Foreign Trade Statistics

The Department of Commerce calls attention to the American exports of the service which the Department makes available within thirty-five days, covering complete quantity and value figures for exports and imports for the month preceding the date of issue.

For example, the figures for April are presented in a bulletin which appears the first week of June. Cumulative figures for the current calendar year and destination of principal export commodities are also shown.

The bulletins are issued in two parts, which appear in about three week intervals. This service costs \$1.25 per year, and may be had upon applying to the Bureau of Foreign and Domestic Commerce.

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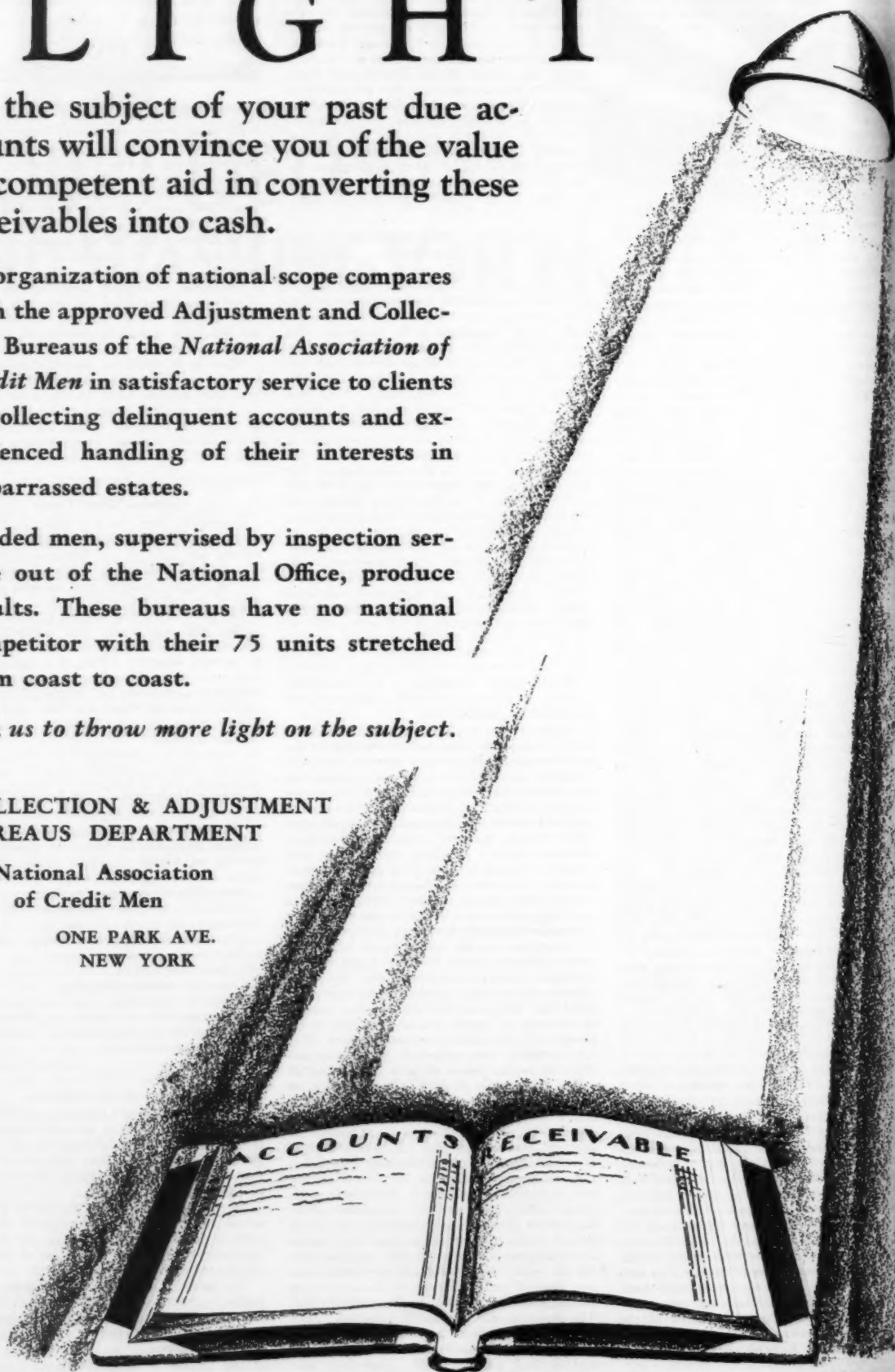
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